

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	87.06	0.00	3.00	90.06	0.00	3.00	90.06	90.06
Personal Services	3,628,252	64,454	102,347	3,795,053	63,374	102,217	3,793,843	7,588,896
Operating Expenses	5,552,896	(92,516)	0	5,460,380	(116,065)	0	5,436,831	10,897,211
Equipment	9,895	0	0	9,895	0	0	9,895	19,790
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	5,942,089	865,380	(918,709)	5,888,760	981,888	(1,032,218)	5,891,759	11,780,519
Grants	11,555,950	1,284,379	0	12,840,329	1,439,416	0	12,995,366	25,835,695
Benefits & Claims	23,340,271	3,000,000	0	26,340,271	6,000,000	0	29,340,271	55,680,542
Transfers	140,590,264	3,183,353	(6,299,126)	137,474,491	3,986,291	(7,105,514)	137,471,041	274,945,532
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$190,619,617	\$8,305,050	(\$7,115,488)	\$191,809,179	\$12,354,904	(\$8,035,515)	\$194,939,006	\$386,748,185
General Fund	138,589,358	5,316,012	(7,217,835)	136,687,535	6,235,911	(8,137,732)	136,687,537	273,375,072
State/Other Special	12,618,636	482,364	0	13,101,000	610,363	0	13,228,999	26,329,999
Federal Special	39,411,623	2,506,674	102,347	42,020,644	5,508,630	102,217	45,022,470	87,043,114
Total Funds	\$190,619,617	\$8,305,050	(\$7,115,488)	\$191,809,179	\$12,354,904	(\$8,035,515)	\$194,939,006	\$386,748,185

Agency Description

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative organization of the Montana University System. All state funds appropriated by the legislature to the Board of Regents for the support of the Montana University System are channeled through the Office of the Commissioner of Higher Education.

The Montana University System is comprised of:

- The Board of Regents (BOR)
- The Commissioner of Higher Education (CHE), his staff, and several system-wide programs administered from the Office of the Commissioner of Higher Education
- The University of Montana, with:
 - Four-year campuses in Missoula, Butte, and Dillon
 - Two-year campuses in Missoula, Butte, and Helena
 - Two higher education agencies in Missoula and Butte
- Montana State University, with:
 - Four-year campuses in Bozeman, Billings, and Havre
 - Two-year campuses in Billings and Great Falls
 - Three higher education agencies in Bozeman and Great Falls
- For budget purposes, the Montana University System also includes the community colleges in Kalispell, Glendive, and Miles City. Governance of the community colleges is divided between the Board of Regents and the board of trustees of each community college district
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The OCHE budget is organized in the following programs:

- The Board of Regents travel, per diem, and other related costs
- The CHE, his staff, and all costs related to the state-level administration of the Montana University System not accounted for in other OCHE programs
- State- and federally-funded interstate student assistance and student aid programs administered at the state level, such as the interstate exchange programs for students seeking a medical education, State Work Study, and federal programs that grant funds to needy students
- Three federal grant programs, each with a specific purpose, administered at the state level
- The Montana University System Group Insurance program
- The Montana Guaranteed Student Loan Program
- The Community College Assistance Program
- The Tribal College Assistance Program
- The Appropriation Distribution program, where the transfer of state funds to the education units and agencies is recorded and reported

Supplemental Appropriation Description

The executive recommends approval of \$76,000 general fund to allow the Office of the Commissioner of Higher Education to comply with a legislative audit recommendation to properly account for indirect costs associated with federal grants. Proper accounting procedures calls for indirect cost recoveries to be deposited to the state general fund and costs to be paid from the state general fund. The OCHE had been reducing general fund expenditures in the amount of federal indirect cost recoveries because it lacked sufficient general fund authority to spend the indirect cost recoveries. The executive notes there will be no impact on general fund, since a like amount of revenue will be deposited into the general fund.

Agency Discussion

Montana University System Major Budget Highlights	
<ul style="list-style-type: none"> ○ The Executive Budget proposes the university system receive approximately the same amount of general fund in the 2005 biennium as was appropriated in fiscal 2002 and fiscal 2003, following special session action, \$273.4 million. To accomplish this objective, the Executive Budget: <ul style="list-style-type: none"> ○ Eliminates general fund support for all statewide present law adjustments, a biennial total of \$21.2 million ○ Eliminates general fund support for all other present law adjustments, including enrollment growth, continuation of the \$100 per resident student authorized by the 2001 legislature, and fee waiver increases. The total biennial reduction is \$16.0 million. ○ Reduces the proposed general fund budget an additional \$3.8 million (\$0.9 million of this reduction is replaced with six-mill levy revenue). ○ The Executive Budget proposes increased tuition revenue from anticipated student enrollment increases and tuition rate increases fund present law and pay plan cost increases at the educational units. ○ The Montana University System campuses have reported record enrollments in the fall of 2002 and are projecting continued enrollment increases into the 2005 biennium. Community colleges are reporting enrollment increases as well. 	
Major LFD Issues	
<ul style="list-style-type: none"> ○ Statewide public postsecondary education policy goals and accountability measures 	

The executive adjustments to reach its proposed general fund budget are summarized below in Figure 1. As shown in the figure, all cost increases are effectively eliminated in the Executive Budget, plus an additional \$3.8 million general fund reduction is applied to achieve the budget target.

Impact of Proposed Executive Budget

The impact of the proposed Executive Budget is summarized below in Figure 2. As shown in the figure, funding for education services at educational units and community colleges decrease, despite anticipated enrollment increases. State general fund per resident student decreases five percent between the 2003 and 2005 biennium. The Executive Budget proposes that tuition increases and increased enrollment will help fund the general operating budgets of the campuses.

State funding for research and public service agencies remain virtually flat for the 2005 biennium.

State funds available in the Executive Budget for student grants and assistance are increased for WICHE, WWAMI, and Minnesota Dentistry programs and are decreased for state-funded Baker Grants. Reduced funding for Baker Grants means either a smaller grant per student (as shown on the figure), or it could mean fewer students receiving a grant.

Additional discussion of the impact of the proposed Executive Budget is included in each program narrative on the following pages.

Figure 1 Agency General Fund Summary Executive Budget 2005 Biennium Adjustments to Fiscal 2002 Base			
<u>Budget Item</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>2005 Biennium</u>
General Fund Base Fiscal 2002	\$138,589,358	\$138,589,358	\$277,178,716
Adjustments to Fiscal 2002 Base			
Base Funding Switch - Six-Mill Levy	(366,088)	(494,087)	(860,175)
Statewide Present Law Adjustments	10,790,583	10,451,663	21,242,246
Other Present Law Adjustments	7,326,030	8,712,848	16,038,878
Special Session Reductions	(12,434,514)	(12,434,514)	(24,869,028)
Additional Reductions	<u>(7,217,835)</u>	<u>(8,137,731)</u>	<u>(15,355,566)</u>
Total Adjustments to Fiscal 2002 Base	(\$1,901,824)	(\$1,901,821)	(\$3,803,645)
Proposed General Fund in Executive Budget	<u>\$136,687,534</u>	<u>\$136,687,537</u>	<u>\$273,375,071</u>

Figure 2

Impact of Executive Budget in Functional Areas -- Montana University System -- State General Fund Only 2005 Biennium Proposed Budget vs. Fiscal 2002					
Budget Item	Actual Fiscal 2002	Estimated Fiscal 2003	Executive Budget Fiscal 2004	Executive Budget Fiscal 2005	% Change 03-05 Biennium
Education Services					
<i>Education Units</i>	\$105,288,845	\$101,684,310	\$103,354,336	\$103,222,917	-0.19%
Resident Student FTE Enrollment	25,567	26,305	26,866	27,459	4.73%
State \$\$/Student FTE	\$4,118	\$3,866	\$3,847	\$3,759	-4.73%
<i>Community Colleges</i>	\$5,843,089	\$5,724,430	\$5,783,760	\$5,783,759	0.00%
Resident Student FTE Enrollment	2,152	2,192	2,322	2,369	7.99%
State \$\$/Student FTE	\$2,715	\$2,612	\$2,491	\$2,441	-7.40%
<i>Tribal College Assistance</i>	\$96,500	\$0	\$96,500	\$0	0.00%
Non-beneficiary student FTE	289		289 <i>Est.</i>		0.00%
State \$\$/Student FTE	\$334		\$334		0.00%
Research & Public Service	\$17,542,604	\$17,423,824	\$17,478,492	\$17,478,492	-0.03%
Student Grants & Assistance					
<i>WICHE/WWAMI/Mn Dentistry</i>	\$4,487,852	\$4,671,007	\$4,883,325	\$5,137,862	9.42%
No. of Students Served	147	147	147	150	1.02%
State \$\$/Student Served	\$30,530	\$31,776	\$33,220	\$34,252	8.29%
<i>Baker Grants</i>	\$2,034,870	\$1,854,925	\$1,805,691	\$1,805,691	-7.16%
No. of Students Served	4,486	4,486	4,486 <i>Est.</i>	4,486 <i>Est.</i>	0.00%
State \$\$/Student Served	\$454	\$413	\$403	\$403	-7.16%
<i>State Workstudy</i>	\$847,245	\$825,638	\$847,245	\$847,245	1.29%
No. of Students Served	975	975	975 <i>Est.</i>	975 <i>Est.</i>	0.00%
State \$\$/Student Served	\$869	\$847	\$869	\$869	1.29%
<i>State Match to Federal Grant Programs</i>	\$872,639	\$896,459	\$872,639	\$872,639	-1.35%
No. of Students Served*	7,565	7,565	7,565 <i>Est.</i>	7,565 <i>Est.</i>	0.00%
State \$\$/Student Served	\$115	\$119	\$115	\$115	-1.35%
Administration and Special Programs					
<i>Board of Regents/OCHE</i>	\$1,426,596	\$1,300,101	\$1,398,899	\$1,372,434	1.64%
<i>Talent Search</i>	\$83,839	\$93,909	\$92,348	\$92,228	3.84%
<i>Workforce Development</i>	\$65,279	\$81,850	\$74,299	\$74,299	1.00%
TOTAL GENERAL FUND	\$138,589,358	\$134,556,453	\$136,687,534	\$136,687,566	0.08%
*Includes Montana University System and Community College students receiving financial assistance from federal program matched with state funds. Students may be counted more than once.					

Governance and Legislative Appropriations Authority

Governance of the Montana University System

The governance of the Montana University System underwent a profound change 30 years ago with the adoption of the 1972 Constitution. Under the 1889 Constitution, general control and supervision of the university system was vested with a Board of Education responsible for all Montana public education, including higher education. The Constitution gave power to the legislature to prescribe the duties and power of the Board. Practically speaking, the legislature had a significant amount of control over the Board and university system, including management and academic areas.¹ Although the governance system had its share of challenges, it remained in effect until Montana's new constitution was adopted in 1972.

Montana's 1972 Constitution changed nearly everything about higher education governance. Instead of a Board of

¹ Eddy McClure, "The Structure of Higher Education in Montana: Meandering the Murky Line," University System Funding Study – SJR 16 Final Report, Montana Legislative Services Division, Helena, Montana, January 2001, p.2.

Education overseeing all of public education, there is a Board of Regents overseeing higher education. The 1972 Constitution grants full power, responsibility, and authority to supervise, coordinate, manage and control the Montana University System to the Board of Regents. With this change, the power and control over the university system shifted to the board, limited only by the language of the Constitution, while the legislature retained the power to appropriate and audit funds.²

Legislative Appropriations Authority

The appropriation of funds is a legislative power in both the 1889 and 1972 Montana Constitutions.

In a 1975 Montana Supreme Court ruling addressing the authority of the newly formed Board of Regents and the scope of the appropriation power of the Montana legislature, the court provided guidelines the legislature must consider in the appropriation process,³ including:

- The Board of Regents is subject to the legislature's appropriation power and public policy, but the legislature cannot do indirectly through the means of line item appropriations and conditions what is impermissible for it to do directly.

While the court recognized the importance of line item appropriations to the legislative process to develop a budget and ensure strict accountability of state funds, it noted line items could not be used to infringe upon the Board of Regents authority to "supervise, coordinate, manage and control the university system". For example, the legislature cannot eliminate a specific program on a university campus, such as the law school, because this is a management decision of the Board of Regents.

- The legislative appropriation power extends beyond the general fund and encompasses all those public operating funds of state government, but does not extend to private funds received by state government that are restricted by law, trust agreement, or contract. Student tuition and fees and foundation donations are considered private funds.
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- The legislature may, within reason, attach conditions to university system appropriations that, if accepted by the Board of Regents, bind them to the conditions.

The legislature does condition appropriations to the university system. An example of an appropriation condition set by the legislature is contained in HB 2 passed by the Fifty-seventh Legislature. In this example, the legislature requires the reversion of state money if projected enrollments used to establish the appropriation are not achieved.

Examples of appropriation conditions that are unreasonable in the court's view include limiting salary increases for university system personnel, and directly attempting to set tuition rates.

- Finally, the court said that the regents' power to govern must be harmonized with the legislature's power to appropriate, set public policy, and ensure strict accountability of state revenues and expenditures.
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Line Item and Lump Sum Appropriations

The ability to use line item appropriations to implement public policy is a time-honored practice of the Montana Legislature. Line items have been the vehicle used to appropriate funds and exercise control over expenditures in Montana since 1891.⁴

In 1990, an interim legislative committee charged with studying higher education funding recommended the legislature replace the line item appropriation practice with a lump sum appropriation to the Board of Regents to: 1) encourage development of a system-wide perspective; 2) encourage adoption of system-wide needs and goals assessment; and 3) allow for greater management flexibility in times of tight resources.⁵ The 1991 legislature took the first step towards a lump sum appropriation when it consolidated several program line item appropriations at the colleges of technology into a

² Ibid., p.5.

³ Ibid., pp. 21-23

⁴ Ibid., p.11.

⁵ Sandy Whitney, "Lump Sum Funding – History and Background Information", University System Funding Study – SJR 16 Final Report, Montana Legislative Services Division, Helena, Montana, January 2001, p. 1

single appropriation for each college. The January 1992 Special Legislative Session took another step towards lump sum appropriation when, faced with reducing state funding for the Montana University System due to state revenue shortfalls, it allowed the Board of Regents to decide how to allocate the reduction. The 1993 legislature consolidated program appropriations into a single appropriation for each university unit and college of technology and allowed the Board of Regents to transfer up to 10 percent of each unit's appropriation between fiscal years. The 1995 legislature took the final step that shaped the Montana University System appropriation as it exists today: A lump sum appropriation is established for the Office of the Commissioner of Higher Education, except Community Colleges and Tribal College Assistance, and the educational units of the system, and line item appropriations for the remaining programs.

Legislative Appropriation

For the past four biennia, the legislature has appropriated state funds to the Montana University System with a lump sum appropriation and with line item appropriations:

- A lump sum appropriation that is comprised of the line item appropriations for:
 - The Office of the Commissioner of Higher Education, except the Community Colleges and Tribal College Assistance programs
 - The educational units, including the four-year university campuses and two-year colleges of technology, and special programs

Language in HB 2 consolidates the HB 2 line item appropriations for these programs into a biennial, lump-sum appropriation.

- Separate HB 2 line item appropriations for each of the following entities:
 - The Agricultural Experiment Station
 - The Cooperative Extension Service
 - The Forestry and Conservation Experiment Station
 - The Montana Bureau of Mines and Geology
 - The Fires Services Training School
 - The Community College Assistance program
 - The Tribal College Assistance program

Funding Summary

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2005 Biennium Executive Budget					
<u>Agency Program</u>	<u>General Fund</u>	<u>State Spec.</u>	<u>Fed Spec.</u>	<u>Grand Total</u>	<u>Total %</u>
Administration Program	\$ 2,667,555	\$ -	\$ -	\$ 2,667,555	0.7%
Student Assistance Program	17,072,337	-	377,970	17,450,307	4.5%
Dde Mathematics & Sci Ed Act	-	-	616,066	616,066	0.2%
Community College Assistance	11,567,519	-	-	11,567,519	3.0%
Talent Search	184,576	-	4,917,906	5,102,482	1.3%
Work Force Development Pgm	148,598	-	13,624,726	13,773,324	3.6%
Appropriation Distribution	241,534,209	26,329,999	-	267,864,208	69.3%
Tribal College Assistance Program	96,500	-	-	96,500	0.0%
Guaranteed Student Loan Pgm	-	-	67,506,446	67,506,446	17.5%
Board Of Regents-Admin	103,778	-	-	103,778	0.0%
Grand Total	\$ 273,375,072	\$ 26,329,999	\$ 87,043,114	\$ 386,748,185	100.0%

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	Present Law Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Biennium Fiscal 02-03	Total Exec. Budget Fiscal 04-05
FTE	87.06	3.00	90.06	87.06	3.00	90.06	87.06	90.06
Personal Services	3,692,706	102,347	3,795,053	3,691,626	102,217	3,793,843	7,834,484	7,588,896
Operating Expenses	5,460,380	0	5,460,380	5,436,831	0	5,436,831	20,579,896	10,897,211
Equipment	9,895	0	9,895	9,895	0	9,895	25,000	19,790
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	6,807,469	(918,709)	5,888,760	6,923,977	(1,032,218)	5,891,759	11,769,519	11,780,519
Grants	12,840,329	0	12,840,329	12,995,366	0	12,995,366	25,302,269	25,835,695
Benefits & Claims	26,340,271	0	26,340,271	29,340,271	0	29,340,271	50,647,868	55,680,542
Transfers	143,773,617	(6,299,126)	137,474,491	144,576,555	(7,105,514)	137,471,041	275,789,197	274,945,532
Debt Service	0	0	0	0	0	0	7,496	0
Total Costs	\$198,924,667	(\$7,115,488)	\$191,809,179	\$202,974,521	(\$8,035,515)	\$194,939,006	\$391,955,729	\$386,748,185
General Fund	143,905,370	(7,217,835)	136,687,535	144,825,269	(8,137,732)	136,687,537	272,998,574	273,375,072
State/Other Special	13,101,000	0	13,101,000	13,228,999	0	13,228,999	25,685,096	26,329,999
Federal Special	41,918,297	102,347	42,020,644	44,920,253	102,217	45,022,470	93,272,059	87,043,114
Total Funds	\$198,924,667	(\$7,115,488)	\$191,809,179	\$202,974,521	(\$8,035,515)	\$194,939,006	\$391,955,729	\$386,748,185

Total funds proposed for the Office of the Commissioner of Higher Education decrease 1.3 percent, due primarily to decreased federal spending authority in the Guaranteed Student Loan Program. General fund is proposed to increase 0.1 percent, or almost \$0.4 million in the 2005 biennium.

Additional impacts of the executive proposed budget for the Montana University System are noted in the Agency Discussion section and the program narratives that follow this agency summary.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 15 - GSL Additional FTE										
12	3.00	0	0	102,347	102,347	3.00	0	0	102,217	102,217
DP 920 - Yellow Bay										
09	0.00	98,250	0	0	98,250	0.00	98,250	0	0	98,250
DP 922 - Beef Transfer Position - ES										
09	0.00	90,000	0	0	90,000	0.00	90,000	0	0	90,000
DP 1000 - Meeting Governor's Target										
04	0.00	(918,709)	0	0	(918,709)	0.00	(1,032,218)	0	0	(1,032,218)
DP 7900 - Achieving the Governor's Target -Lump Programs										
09	0.00	(6,144,936)	0	0	(6,144,936)	0.00	(6,924,870)	0	0	(6,924,870)
DP 7901 - Achieving the Governor's Target - AES										
09	0.00	(155,482)	0	0	(155,482)	0.00	(182,350)	0	0	(182,350)
DP 7902 - Achieving the Governor's Target - ES										
09	0.00	(87,415)	0	0	(87,415)	0.00	(92,808)	0	0	(92,808)
DP 7903 - Achieving the Governor's Target - BoM										
09	0.00	2,371	0	0	2,371	0.00	5,171	0	0	5,171
DP 7904 - Achieving the Governor's Target - FCES										
09	0.00	(68,065)	0	0	(68,065)	0.00	(65,704)	0	0	(65,704)
DP 7905 - Achieving the Governor's Target - FSTS										
09	0.00	(33,849)	0	0	(33,849)	0.00	(33,203)	0	0	(33,203)
Total	3.00	(\$7,217,835)	\$0	\$102,347	(\$7,115,488)	3.00	(\$8,137,732)	\$0	\$102,217	(\$8,035,515)

Language Recommendations

Establish Biennial Lump Sum Appropriation

The executive recommends language in HB 2 that establishes a biennial lump sum appropriation by combining the appropriation for the following programs:

- OCHE administration
- Student assistance and grants
- Eisenhower math and science grant
- Talent search
- Workforce development
- Educational units
- Guaranteed Student Loan
- Board of Regents

"Items 1 through 3 and 5 through 7b, 9 and 10 are a single biennial lump-sum appropriation."

Appropriation of all Funds; Budget Transfers

The executive recommends language in HB 2 that addresses appropriation of all funds in the university system and the requirements for budget transfers.

"University system unit is defined in 17-7-102(13). For all university system units, except the office of the commissioner of higher education, all funds (other than plant funds appropriated in House Bill No. 5, relating to long-range building and current unrestricted operating funds) are appropriated contingent on approval of the comprehensive program budget by the board of regents by October 1 of each year. For all university system 4-year units and colleges of technology, all funds, other than funds appropriated in House Bill No. 5 for long-range building programs, are appropriated as a lump sum for the biennium contingent upon approval of the comprehensive program budget by the board of regents by October 1 of each year. The board of regents shall allocate the appropriations to the individual units according to board policy. The budget must contain detailed revenue and expenditure and anticipated fund balances of current funds, loan funds, endowment funds, and plant funds. After the board of regents approves operating budgets, transfers between units may be made only with the approval of the board of regents. Transfers and related justifications must be submitted to the office

of budget and program planning and to the legislative fiscal analyst."

Standard Accounting Practices

The executive recommends language requiring the university system to use standard accounting practices at all units. "All university system units, except the office of the commissioner of higher education, shall account for expenditures consistently within programs and funds across all units and shall use the standards of accounting and reporting, as described by the national college and university business officers, as a minimum for achieving consistency."

Access to Banner Information System

The executive recommends language requiring the university system to provide the Office of Budget and Program Planning and the Legislative Fiscal Division access to the university information system.

"The Montana university system, except the office of the commissioner of higher education and the community colleges, shall provide the office of budget and program planning and the legislative fiscal division banner access to the entire university system's banner information system, except for information pertaining to individual students or individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S.C. 1232g. The Montana university system shall provide the electronic data required for human resource data for the current unrestricted operating funds into the MBARS system. The salary and benefit data provided must reflect approved board of regents operating budgets."

Agency Issues

Statewide Policy Goals

The Executive Budget proposes a general fund budget for the Montana University System that implies significant policy changes, yet does not address how its proposal may impact Montana University System goals and objectives. For example, the Executive Budget proposes the Montana University System serve more resident students without additional state funding, but does not discuss the service impact if the expenditures are reduced or how the proposed reduction may impact the system's ability to achieve its goal of providing quality educational services. The Executive Budget suggests tuition rate increases could replace general fund increases at the same time it reduces state funds for student grants. There is no discussion in the Executive Budget if or how increased tuition rates and reduced state funds for student grants might impact current or prospective students' ability to access postsecondary education.

During the 2001-02 interim, the Education and Local Government Committee formed the Joint Subcommittee on Postsecondary Education Policy and Budget (PEPB) and charged it with "improving the relationship of the legislature and the Montana University System". To ensure the primary players were at the table in this process, the PEPB included six legislative members from the Education and Local Government Committee and the Legislative Finance Committee, two Board of Regents members, and a representative of the Governor's Office.

The PEPB focused its efforts on identifying public postsecondary education policy goals and accountability measures that allow the evaluation of the attainment of the policy goals, with the hopes of all parties developing a better understanding of the others' roles and responsibilities, which would ultimately lead to improved relations. Clarifying policy goals and providing a mechanism for evaluation was seen as a potential way to bridge the skepticism and distrust that frequently surfaces between the legislative branch and the Montana University System. Legislative involvement in this process was important to assure legislative concerns were addressed.

State appropriations to the Montana University System constitute a significant portion of the state's general fund budget, yet the linkage between policy goals and funding requirements is often unclear. The PEPB intends that its recommended postsecondary education policy goals and accountability measures move state level policy makers towards initiating public policy debate on how state funds can best be used to meet the higher education needs of Montana's citizens.

Figure 3 below summarizes the recommended policy goals and accompanying accountability measures.

Figure 3 – PEPB Recommended Policy goals and Accountability Measures

Policy Goal	Accountability Measure
○ Prepare students for success through quality education	○ Completion Rates ○ Retention Rates
○ Promote access and affordability	○ Affordability compared to other states ○ State Support as a percent of personal income and per capita income
○ Deliver efficient, coordinated services	○ Transferability among institutions ○ Percent of expenditures in instruction, administration, athletics, etc.
○ Be responsive to market and employment needs and opportunities	○ Job placement rates by field or program ○ Growth in FTE enrollment, certificates, and degrees conferred in 2-yr education
○ Contribute to Montana's economic and social success	○ Research and Development receipts and expenditures ○ Technology transfers (licensing and commercialization)
○ Collaborate with the K-12 school system and other postsecondary education systems	○ Collaborative programs with K-12, Community Colleges, and Tribal Colleges and private colleges (when appropriate). ○ Average SAT or ACT scores of first time full time MUS freshmen

The executive does not address the proposed policy goals, or the impact of its proposed budget upon the policy goals, despite the executive's status as a full partner on the PEPB subcommittee. The legislature has the opportunity to take the lead on this issue by adopting the proposed policy goals, identifying priorities, and working towards allocating state resources in line with the priorities.

Funding Policy Options -

How can policy goals be used in the appropriations process? Especially with budget constraints, policy goals are most meaningful and useful for determining appropriations if the policy goals are prioritized. When revenues are tight, it only makes sense to fund those items determined to be most important.

[Comment: It is suggested that the House and Senate Education Committees review the statewide policy goals and accountability measures and comment upon them as well as the Joint Appropriations Subcommittee on Education. Statewide policy goals and accountability measures reach beyond the budget and it is important that the policy committees have the opportunity to review and comment upon the proposed postsecondary education policy goals.]

Below is an example of how policy goals might be used in the appropriations process. The reader is cautioned that this is an example, not a recommendation.

Priority Policy Goal: Promote access and affordability

Objective: Increase access and improve affordability for undergraduate, resident students by subsidizing the cost of education for undergraduates at 150 percent of the rate at the senior campuses than would otherwise result in the executive proposed budget. Recognizing budget constraints, state funding for the costs associated with providing graduate education would be eliminated and state funds for remaining areas of the university system budget may be decreased.

Budget Impact: In this example, the additional state funding required to fund total costs per undergraduate, resident student enrolled at community colleges and university system campuses at 150 percent of the rate than would otherwise result in the Executive Budget is \$13.7 million more than budgeted for the educational units and community colleges in

the proposed Executive Budget.⁶ This additional amount could be generated from budget reallocation within the Montana University System, resulting in an average 24.8 percent reduction in the remaining budgets, or the funds could be generated by specific program reduction. Alternatively, the legislature may determine that additional state funds would be appropriate to achieve the priority policy goal.

Reasons to consider this approach: The primary advantage to the legislature in adopting and prioritizing education policy goals is the opportunity it provides for the legislature to make its priorities known to the Board of Regents prior to the Board allocation of state resources to the university system. The Board could also keep the legislature's priorities in mind as it manages the university system.

Reasons why this approach may not work: The Board of Regents may not consider, agree with, or adopt the legislature's priorities. The board has the final decision on how to allocate the state funds for the general operating budgets of the university system.

⁶ For purposes of this example, state funds include general fund and the six -mill property tax levy. Mandatory community college levies are excluded as they are not in HB2. The impact of excluding mandatory levies results in calculating state funds as 42 percent of total community college costs versus 66 percent if they were considered a state source. In addition, when calculating the cost of increasing the state portion of total costs at community colleges, the additional state funds required are directly related to the percentage considered the base. If the legislature pursues allocating state resources according to prioritized policy goals, the issue of whether and how to include community college mandatory levies will need to be addressed.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	15.40	0.00	0.00	15.40	0.00	0.00	15.40	15.40
Personal Services	1,050,354	(36,022)	0	1,014,332	(37,325)	0	1,013,029	2,027,361
Operating Expenses	322,390	10,288	0	332,678	(14,874)	0	307,516	640,194
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$1,372,744	(\$25,734)	\$0	\$1,347,010	(\$52,199)	\$0	\$1,320,545	\$2,667,555
General Fund	1,372,744	(25,734)	0	1,347,010	(52,199)	0	1,320,545	2,667,555
State/Other Special	0	0	0	0	0	0	0	0
Total Funds	\$1,372,744	(\$25,734)	\$0	\$1,347,010	(\$52,199)	\$0	\$1,320,545	\$2,667,555

Program Description

The Administration Program includes: 1) general administration of the university system, 2) academic, financial, and legal administration, 3) labor relations and personnel administration, and 4) student assistance administration. Article X, Section 9, of the Montana Constitution requires that the Board of Regents appoint the commissioner and prescribe his powers and duties.

Program Narrative

Administration Program Major Budget Highlights	
o	Proposed Executive Budget is below base year expenditures
o	Executive Budget applies special session reduction to personal services

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Administration Program						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	<u>\$ 1,372,744</u>	<u>100.0%</u>	<u>\$ 1,347,010</u>	<u>100.0%</u>	<u>\$ 1,320,545</u>	<u>100.0%</u>
Grand Total	<u>\$ 1,372,744</u>	<u>100.0%</u>	<u>\$ 1,347,010</u>	<u>100.0%</u>	<u>\$ 1,320,545</u>	<u>100.0%</u>

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				90,542					89,185
Vacancy Savings				(45,637)					(45,583)
Inflation/Deflation				2,102					2,316
Fixed Costs				(2,023)					(27,399)
Total Statewide Present Law Adjustments				\$44,984					\$18,519
DP 11 - Scheduled Rent Payments									
0.00	3,249	0	0	3,249	0.00	3,249	0	0	3,249
DP 12 - Scheduled Computer Replacements									
0.00	6,960	0	0	6,960	0.00	6,960	0	0	6,960
DP 7010 - Global Special Session Reductions									
0.00	(80,927)	0	0	(80,927)	0.00	(80,927)	0	0	(80,927)
Total Other Present Law Adjustments									
0.00	(\$70,718)	\$0	\$0	(\$70,718)	0.00	(\$70,718)	\$0	\$0	(\$70,718)
Grand Total All Present Law Adjustments				(\$25,734)					(\$52,199)

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 11 - Scheduled Rent Payments - In the base year, the Office of Commissioner of Higher Education was able to charge the School to Work grant for a portion of the office rent expense. That grant is no longer available.

DP 12 - Scheduled Computer Replacements - The Office of Commissioner of Higher Education three-year computer replacement schedule calls for four new PCs and printers each year of the 2005 biennium.

DP 7010 - Global Special Session Reductions - The special session reductions applied to the Administration Program are continued.

LFD COMMENT

The agency indicated that the special session reductions in this program, that are proposed by the executive to be continued in the 2005 biennium, could result in elimination of positions.

Language

Legislative Audit Costs

"Total audit costs of the Office of the Commissioner of Higher Education are estimated to be \$38,381."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Local Assistance	99,000	6,000	0	105,000	9,000	0	108,000	213,000
Grants	8,294,230	198,655	0	8,492,885	450,192	0	8,744,422	17,237,307
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$8,393,230	\$204,655	\$0	\$8,597,885	\$459,192	\$0	\$8,852,422	\$17,450,307
General Fund	8,242,606	166,294	0	8,408,900	420,831	0	8,663,437	17,072,337
Federal Special	150,624	38,361	0	188,985	38,361	0	188,985	377,970
Total Funds	\$8,393,230	\$204,655	\$0	\$8,597,885	\$459,192	\$0	\$8,852,422	\$17,450,307

Program Description

This program includes all student grant funding. Types of grants include: work study, state grants, federal grant matching programs, and student grants for attending professional schools which are not available in Montana such as medicine, dentistry and veterinary medicine. Title 20, Chapters 25 and 26, MCA, govern the program.

Program Narrative

Student Assistance Program Major Budget Highlights	
<ul style="list-style-type: none"> Special session reductions of \$229,179 are continued State funding for the WICHE/WWAMI/Minnesota Dentistry program increases nine percent in the 2005 biennium 	
Major LFD Issues	
<ul style="list-style-type: none"> WICHE/WWAMI/Minnesota Dentistry cost drivers and projected costs. 	

Funding

The following table shows program funding, by source, for the base year, for fiscal 2003, and for the 2005 biennium as recommended by the Governor.

Program Funding Table Student Assistance Program						
<u>Program Funding</u>	<u>Base Fiscal 2002</u>	<u>% of Base Fiscal 2002</u>	<u>Budget Fiscal 2004</u>	<u>% of Budget Fiscal 2004</u>	<u>Budget Fiscal 2005</u>	<u>% of Budget Fiscal 2005</u>
01100 General Fund	\$ 8,242,606	98.2%	\$ 8,408,900	97.8%	\$ 8,663,437	97.9%
03164 State Student Incentive Grant	<u>150,624</u>	<u>1.8%</u>	<u>188,985</u>	<u>2.2%</u>	<u>188,985</u>	<u>2.1%</u>
Grand Total	<u>\$ 8,393,230</u>	<u>100.0%</u>	<u>\$ 8,597,885</u>	<u>100.0%</u>	<u>\$ 8,852,422</u>	<u>100.0%</u>

Figure 4
Student Assistance Program
Fiscal 2002 through 2005

<u>Program</u>	<u>Actual FY 2002</u>	<u>Op Plan FY 2003</u>	<u>Exec. Budget FY 2004</u>	<u>Exec. Budget FY 2005</u>	<u>Biennial % Change</u>
Funded with State Funds:					
Baker Grants	\$2,034,870	\$1,854,925	\$1,805,691	\$1,805,691	-7.2%
State Work Study	847,245	825,638	847,245	847,245	1.3%
Montana Higher Education Grant*	229,071	229,421	229,071	229,071	-0.1%
SEOG **	492,239	498,270	492,239	492,239	-0.6%
Perkins Loan **	151,329	168,768	151,329	151,329	-5.4%
WICHE Dues	99,000	103,000	105,000	108,000	5.4%
WICHE Assistance	1,529,719	1,583,367	1,660,300	1,771,866	10.2%
WWAMI	2,736,733	2,857,440	2,986,025	3,120,396	9.2%
Minnesota Dentistry	122,400	127,200	132,000	137,600	8.0%
Unallocated	0	17,785	0	0	-100.0%
Subtotal State Funds	\$8,242,606	\$8,265,814	\$8,408,900	\$8,663,437	3.4%
Funded with Federal Funds:					
Montana Higher Education Grant*/SLEAP (Federal)***	\$150,624	\$207,568	\$188,985	\$188,985	5.5%
Total Funds	\$8,393,230	\$8,473,382	\$8,597,885	\$8,852,422	3.5%

*Funded from federal grant (Leveraging Educational Assistance Programs) and state general fund match

State general fund increases three percent in the 2005 biennium in spite of the special session reduction. Increases in the WICHE/WWAMI/Minnesota Dentistry program are driving the general fund increase.

Federal funds increase five percent in the 2005 biennium.

Present Law Adjustments										
-----Fiscal 2004-----					-----Fiscal 2005-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
DP 2 - WICHE/ WWAMI/ MN Dental	0.00	395,473	0	0	395,473	0.00	650,010	0	0	650,010
DP 3 - Increase Federal Financial Aid	0.00	0	0	38,361	38,361	0.00	0	0	38,361	38,361
DP 7010 - Global Special Session Reduction	0.00	(229,179)	0	0	(229,179)	0.00	(229,179)	0	0	(229,179)
Total Other Present Law Adjustments	0.00	\$166,294	\$0	\$38,361	\$204,655	0.00	\$420,831	\$0	\$38,361	\$459,192
Grand Total All Present Law Adjustments				\$204,655					\$459,192	

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - WICHE/ WWAMI/ MN Dental - The proposed adjustments for the Professional Programs of WICHE/ WWAMI/ MN Dental carry forward the authorized slots from the last legislative session with the projected increases in support costs and additional new slots.

DP 3 - Increase Federal Financial Aid - The Executive Budget increases the federal financial aid for the Montana Higher Education Grant and Special Leveraging Educational Assistance Partnership based on fiscal 2003 allocations.

DP 7010 - Global Special Session Reduction - The executive continues the special session reductions that were applied to the Student Assistance Program. Reductions were targeted to the state Baker Grant Program.

LFD COMMENT

The special session general fund reduction allocated to this program reduced state funds available for the fiscal 2003 Baker grants. Following the special session reduction, the Board of Regents authorized expenditure reductions and tuition rate increases, at the education units, sufficient to backfill the state general fund reduction for the Baker grants. The executive continues this reduction in the 2005 biennium and once again applies it to the Baker grants. The Board could continue the fiscal 2003 practice. However, the final determination of how to manage any funding reduction in this program will be made by the Board following the legislative session. This program is part of the lump sum appropriation.

Other Issues

LFD ISSUE

WICHE/WWAMI/Minnesota Dentistry Cost Increases

The Executive Budget recommends a biennial general fund increase of \$862,000, or 9.4 percent for the program support costs of the WICHE/WWAMI/Minnesota Dentistry programs. The factors contributing to the increase include the estimated program support cost per slot, the number of funded student slots, and the student/program mix.

In establishing the legislative appropriation for this program, the estimated program support cost per slot is one factor the legislature has least control over, yet for the 2005 biennium it is the primary factor driving the cost increase. For example, the number of WWAMI students remains at 60 (excludes first year students in attendance at MSU) each year of the 2005 biennium, yet the support cost per slot increases an average of \$4,269 per slot in the 2005 biennium, resulting in a total dollar increase of \$512,248 for the 2005 biennium, or 59 percent of the \$862,000 total program increase.

The remaining factors, the number of funded student slots and the student/program mix, are within the control of the legislature to use in establishing an appropriation amount. If the legislature wanted to reduce the funding for the WICHE/WWAMI/Minnesota Dentistry program and have a logical basis for making a reduction, it would likely look at reducing the number of new student slots, as the legislature has been reluctant to reduce the number of continuing slots once a student enters the program. The agency has noted that all WICHE and Minnesota Dental programs, except veterinary, could be reduced if necessary both years of the biennium. Veterinary students receive acceptance notices early in the calendar year and need a commitment at that time. WWAMI students also receive acceptance notices early in the calendar year and a decision to reduce the number of WWAMI slots will have a one-year delayed fiscal impact, as first year students attend Montana State University in Bozeman. Therefore, to implement a reduction in WWAMI, the 2003 legislature would make the new student slot reduction effective in fiscal 2005, with the fiscal impact beginning in fiscal 2006. The student/program mix refers to the number of student slots funded for each program, such as medical, dental, veterinary. Different programs have different support costs, ranging from approximately \$5,500 in 2005 for Public Health to \$52,000 in 2005 for WWAMI Medicine.

**LFD
ISSUE
(continued)**

Historically, the number of new student slots funded by the legislature has been based partly on past practice and partly on best guess of student demand. There is no guiding policy from the Board of Regents on program priority. New student slot expansions are sometimes sought in specific areas and brought to the attention of the legislature for new funding, such as the veterinary program.

The reader should note that this program is part of the lump sum appropriation. Consequently the Board of Regents has the authority to make the ultimate decision on the number of funded slots and funds allocated to this program from the lump sum appropriation. In recent years, the Board of Regents has allocated funding to this program equal to the legislative appropriation contained in HB 2.

Figure 5 details the Executive Budget proposal for the WICHE/WWAMI/Minnesota Dental program for the 2005 biennium.

Figure 5
2005 Biennium Executive Budget Proposal
WICHE/WWAMI/Minnesota Dental Programs

	Fiscal 2003 Budgeted			Fiscal 2004 Executive Budget			Fiscal 2003 Budgeted		
	Cost per Slot	# of Student Slots New	# of Student Slots Continuing	Total Cost	Cost per Slot	# of Student Slots New	# of Student Slots Continuing	Total Cost	Cost per Slot
WICHE									
Administrative Dues				\$103,000				\$105,000	
Student Assistance									
Medicine	\$22,800	6	18	\$547,200	\$23,700	6	17	\$545,100	\$24,600
(2) Dentistry	15,900	1	4	84,800	16,500	1	4	88,000	17,200
Optometry	10,300	1	4	51,500	10,700	1	3	42,800	11,100
(3) Public Health	5,800	1	2	15,467	6,000	1	1	10,000	6,200
Osteopathic Medicine	15,100	1	3	60,400	15,700	2	4	94,200	16,300
Veterinary	22,600	9	26	791,000	23,500	9	27	846,000	24,400
(1) Occupational Therapy	8,400	1	1	22,400	8,700	1	1	23,200	9,000
Podiatry	10,600	0	1	10,600	11,000	1	0	11,000	11,400
Subtotal		20	59	\$1,686,367		22	57	\$1,765,300	
MINNESOTA DENTAL	\$15,900	2	6	127,200	\$16,500	2	6	132,000	\$17,200
(4) WWAMI	47,624	20	60	2,857,440	49,767	20	60	2,986,020	52,007
TOTAL		42	125	\$4,671,007		44	123	\$4,883,320	

(1) Rates for all continuing occupational therapy students are calculated at 1 2/3 the annual support fee to include support for two required clinical rotations (\$14,500 FY 2004; \$15,000 FY 2005)

(2) One (1) dental student is enrolled in a three-year accelerated dental program. Therefore, support is calculated at 1 1/3 the annual support fee each year over a period of 3 years rather than the normal four year duration (\$22,000 FY2004; \$22,933 FY2005)

(3) One (1) public health student is enrolled in an extended degree program. Therefore, support is calculated at 2/3 the annual support fee each year over a period of 3 years rather than the standard two-year program (\$4,000 FY 2004; \$4,133 FY 2005)

(4) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year. No additional cost for first year students because they attend school at Bozeman.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	489	(489)	0	0	(489)	0	0	0
Operating Expenses	209	17	0	226	17	0	226	452
Grants	47,123	260,684	0	307,807	260,684	0	307,807	615,614
Total Costs	\$47,821	\$260,212	\$0	\$308,033	\$260,212	\$0	\$308,033	\$616,066
Federal Special	47,821	260,212	0	308,033	260,212	0	308,033	616,066
Total Funds	\$47,821	\$260,212	\$0	\$308,033	\$260,212	\$0	\$308,033	\$616,066

Program Description

This program is a federal grant program aimed at upgrading teaching skills of teachers in math and science.

Program Narrative

Dwight D. Eisenhower Mathematics & Science Education Act Major Budget Highlights

- All federal funds, no impact from special session"
- Requested adjustment restores historical appropriation level

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor. Funding is entirely federal.

Program Funding Table Dde Mathematics & Sci Ed Act						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
03183 Ed For Econ Security Grant	<u>\$ 47,821</u>	<u>100.0%</u>	<u>\$ 308,033</u>	<u>100.0%</u>	<u>\$ 308,033</u>	<u>100.0%</u>
Grand Total	<u>\$ 47,821</u>	<u>100.0%</u>	<u>\$ 308,033</u>	<u>100.0%</u>	<u>\$ 308,033</u>	<u>100.0%</u>

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				(489)					(489)
Inflation/Deflation				17					17
Total Statewide Present Law Adjustments				(\$472)					(\$472)
DP 31 - Increase Federal Funding - Eisenhower	0.00	0	0	260,684	0.00	0	0	0	260,684
Total Other Present Law Adjustments	0.00	\$0	\$0	\$260,684	0.00	\$0	\$0	\$260,684	\$260,684
Grand Total All Present Law Adjustments				\$260,212					\$260,212

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 31 - Increase Federal Funding - Eisenhower - The Eisenhower grant authority is increased \$260,684 annually based upon the expected federal authority plus anticipated carry-over from fiscal 2003.

**LFD
COMMENT**

Actual fiscal 2002 expenditures in this program were approximately 15 percent of the fiscal 2002 HB2 appropriation. This adjustment restores appropriation authority to a more normal level for this program.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Local Assistance	5,843,089	859,380	(918,709)	5,783,760	972,888	(1,032,218)	5,783,759	11,567,519
Total Costs	\$5,843,089	\$859,380	(\$918,709)	\$5,783,760	\$972,888	(\$1,032,218)	\$5,783,759	\$11,567,519
General Fund	5,843,089	859,380	(918,709)	5,783,760	972,888	(1,032,218)	5,783,759	11,567,519
Total Funds	\$5,843,089	\$859,380	(\$918,709)	\$5,783,760	\$972,888	(\$1,032,218)	\$5,783,759	\$11,567,519

Program Description

This program distributes funds appropriated by the Legislature in support of the three community colleges: Miles Community College, Dawson Community College and Flathead Valley Community College. Each community college district has an elected board of trustees. The regents have statutory authority to control the community colleges in Title 20, Chapter 15, MCA.

Program Narrative

Community College Assistance Major Budget Highlights	
<ul style="list-style-type: none"> ○ ○ The executive projects enrollment will increase from 2,152 full-time equivalent students in fiscal 2002 to 2,322 in fiscal 2004 and 2,369 in fiscal 2005. The Executive Budget allows for enrollment increases but then negates the increase in order to meet the general fund reduction ○ The budget amount per full-time student increases to \$5,706, reflecting annualization of the 2003 biennium pay plan ○ The state share of the budget amount per full-time student would decrease from 53 percent to approximately 43 percent, assuming that the budget amount per full-time student remains constant 	
Major LFD Issues	
<ul style="list-style-type: none"> ○ Unclear whether general fund reduction is intended to reduce expenditures at the community colleges or if increases in non-general fund sources are contemplated ○ 	

State share of funding decreases from 53 percent to approximately 43 percent in the Executive Budget (assuming the total budget per student FTE remains the same). The impact of the state funding reduction is either an increase in local property taxes or tuition, or expenditure reductions. The executive position on whether the state general fund reduction should result in expenditure reductions or increases in non-state funds is not noted in the proposed budget. See Other Issues for more discussion.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Community College Assistance						
	Base	% of Base	Budget	% of Budget	Budget	% of Budget
Program Funding	Fiscal 2002	Fiscal 2002	Fiscal 2004	Fiscal 2004	Fiscal 2005	Fiscal 2005
01100 General Fund	<u>\$ 5,843,089</u>	<u>100.0%</u>	<u>\$ 5,783,760</u>	<u>100.0%</u>	<u>\$ 5,783,759</u>	<u>100.0%</u>
Grand Total	<u>\$ 5,843,089</u>	<u>100.0%</u>	<u>\$ 5,783,760</u>	<u>100.0%</u>	<u>\$ 5,783,759</u>	<u>100.0%</u>

The community colleges use the same fund structure as the educational units and higher education agencies.

Title 20, Chapter 15, part 3, MCA defines the financing of Montana community colleges. The general operating budgets of the community colleges are funded from a state general fund appropriation, student tuition and fees, a mandatory levy, an optional voted levy, and other miscellaneous funds. Only the state general fund is appropriated in HB 2.

Figure 6 below illustrates the executive calculation to derive the proposed general fund appropriation for Montana community colleges for the 2005 biennium. As shown in the figure, the impact of the proposed general fund reductions decreases the state share of total budget per FTE student from 53 percent to approximately 43 percent.

Figure 6 Proposed General Fund Appropriation								
	Fiscal 2004				Fiscal 2005			
Budget Item	Dawson	Flathead Valley	Miles	TOTAL	Dawson	Flathead Valley	Miles	TOTAL
Projected Resident FTE	419	1,385	518	2,322	435	1,400	534	2,369
Total \$ per FTE	\$5,706	\$5,706	\$5,706	\$5,706	\$5,706	\$5,706	\$5,706	\$5,706
State %	53%	53%	53%	53%	53%	53%	53%	53%
State \$ per FTE	\$3,024	\$3,024	\$3,024	\$3,024	\$3,024	\$3,024	\$3,024	\$3,024
Calculated Budget Cost	\$1,267,056	\$4,188,240	\$1,566,432	\$7,021,728	\$1,315,440	\$4,233,600	\$1,614,816	\$7,163,856
Plus State share of Audit	8,480	11,660	8,480	28,620	0	0	0	0
Total Budget	\$1,275,536	\$4,199,900	\$1,574,912	\$7,050,348	\$1,315,440	\$4,233,600	\$1,614,816	\$7,163,856
Less:								
Special Session Reduction	(65,650)	(200,227)	(82,002)	(347,879)	(65,650)	(200,227)	(82,002)	(347,879)
Meet Gov Target Reduction	<u>(166,211)</u>	<u>(547,276)</u>	<u>(205,222)</u>	<u>(918,709)</u>	<u>(189,538)</u>	<u>(610,006)</u>	<u>(232,674)</u>	<u>(1,032,218)</u>
Executive Budget	<u>\$1,043,675</u>	<u>\$3,452,397</u>	<u>\$1,287,688</u>	<u>\$5,783,760</u>	<u>\$1,060,252</u>	<u>\$3,423,367</u>	<u>\$1,300,140</u>	<u>\$5,783,759</u>
Calculations after Reductions:								
State \$ per FTE	\$2,491	\$2,493	\$2,486	\$2,491	\$2,437	\$2,445	\$2,435	\$2,441

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 3 - Annualize CC Payplan and Adjust Students									
0.00	859,380	0	0	859,380	0.00	972,888	0	0	972,888
Total Other Present Law Adjustments									
0.00	\$859,380	\$0	\$0	\$859,380	0.00	\$972,888	\$0	\$0	\$972,888
Grand Total All Present Law Adjustments				\$859,380					\$972,888

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 3 - Annualize CC Payplan and Adjust Students - This decision package annualizes the state share of the pay plan in the per-student support calculation, and updates resident enrollment projections for the 2005 biennium. Enrollments are projected to grow from 2,132 resident students in the fiscal 2002 base to 2,322 students in fiscal 2004 and 2,369 students in fiscal 2005.

The base increase is \$1,207,259 in fiscal 2004 and \$1,320,767 in fiscal 2005. The special session reductions to the community colleges have been applied to this increase. This reduction was \$347,879.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 1000 - Meeting Governor's Target										
04	0.00	(918,709)	0	0	(918,709)	0.00	(1,032,218)	0	0	(1,032,218)
Total	0.00	(\$918,709)	\$0	\$0	(\$918,709)	0.00	(\$1,032,218)	\$0	\$0	(\$1,032,218)

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 1000 - Meeting Governor's Target - These are the allocated reductions to meet the Governor's general fund target.

LFD COMMENT

The executive proposes an annual general fund appropriation for the community colleges for the 2005 biennium equal to the average annual general fund appropriation in the 2003 biennium, following special session action. The impact of the executive proposal is elimination of state funding for the state portion of the 2003 biennium pay plan and the costs associated with increased enrollment. Part of the general fund reduction is made in the present law adjustment (DP 3 - Annualize CC Payplan and Adjust Students) and the remaining amount of the general fund reduction is made in this decision package. See Figure 6.)

Language Recommendations

Information Technology Costs

The executive recommends the following language to provide for costs of connecting to the state computer network:
"Total Summitnet costs are estimated to be \$25,000 each year for the community colleges. The general fund appropriation for the community colleges provides 53 percent of the total Summitnet costs. The remaining 47 percent of these costs must be paid from funds other than those appropriated in item (Community Colleges). Summitnet costs for each year may not exceed \$8,000 each for Dawson and Miles Community Colleges and \$9,000 for Flathead Valley Community College."

Audit Costs

The executive recommends the following language to provide for audit costs in the 2005 biennium:
"Total audit costs are estimated to be \$54,000 for the community colleges for the biennium. The general fund appropriation for each community college provides 53% of the total audit costs in fiscal year 2005. The remaining 47 percent of these costs must be paid from funds other than those appropriated in item (Community Colleges Audit). Audit costs for the biennium may not exceed \$16,000 each for Dawson and Miles Community Colleges and \$22,000 for Flathead Valley Community College."

Other Issues

State statute requires the legislature to determine the budget amount per full-time student for community colleges and for the appropriations act to state the percent of budget per student FTE, which the appropriation is intended to represent. The proposed language in the Executive Budget does not refer to any budget amount per FTE student or to the percentage of the budget amount per FTE student that the general fund appropriation is intended to represent. This language has not been included in the general appropriations act since the 1999 biennium, although it has been presented in the HB 2 narrative accompanying the bill. The executive calculations for its 2005 biennium recommendations use the same budgeted amount per student FTE as was used for the 2003 biennium, plus an adjustment for the 2003 biennium pay plan. However, since the Executive Budget does not include this language, it is unclear if the executive is proposing that total expenditures be reduced at the community colleges or that the state funding reduction be made up via tuition increases or property tax increases.

If the legislature intends for the budget per student FTE to remain at \$5,706 and make up the state funding reduction with tuition, the tuition rates at the community colleges would have to increase, on average, 20 percent each year (compounded) in the 2005 biennium. Alternatively, if the state funding reduction was to be made up with a voted mill levy, the number of additional mills, if approved by the local voters, would range from approximately 4.5 mills for Flathead Valley Community College to 22 mills for Miles Community College. Both Dawson and Miles Community Colleges currently use voted levies to support its general operating budget.

If the legislature intends for the state funding reduction to be real expenditure reductions, the state portion of the community college budgets would decrease 18 to 19 percent in the 2005 biennium from what would otherwise be a present law budget.

Program Description

The Board of Regents provides faculty and staff with group benefits through the Montana University System (MUS) Group Insurance Program. The commissioner is authorized by Board of Regents' policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits.

Revenues and Expenses

This program is an enterprise fund in which the funding is derived from: 1) employer health insurance premiums; 2) employee-paid premiums; 3) employee payments to flexible spending accounts; and 4) interest earnings on the fund. Expenditures include administration of the program and insurance claims which are projected to increase 3 percent and 15 percent, respectively, from fiscal 2003 to fiscal 2004 and 0 percent and 15 percent, respectively, from fiscal 2004 to fiscal 2005.

Rate Explanation

The legislature has defined the rates and fees for the MUS employee benefits program to mean the state contribution and the employee contribution toward employee group benefits necessary to maintain the benefit plan on an actuarially sound basis. For 2003, the state contribution per employee is \$4,392, while the average insurance premium for a MUS employee is \$4,397, depending upon the plan selected. Health insurance premiums for MUS employees with a spouse and children average \$6,724 annually, again depending upon the coverage selections, or \$2,332 more than the state contribution. The Executive Budget proposes a \$44 increase in fiscal 2004 and a \$50 increase in fiscal 2005 from the fiscal 2003 state contribution towards the cost of employee health insurance.

Employee premiums depend on the plan selected and whether the contributor is a current employee, employee dependent, or retiree. Payments to a flexible spending account are at the discretion of the employee, subject to a \$10 monthly minimum for those who enroll.

Report on Internal Service and Enterprise Funds, 2005 Biennium

Fund	Fund Name	Agency #	Agency Name	Program Name
6513	MUS Group Insurance	MUS 51020	Commissioner of Higher Education	MUS Group Insurance
6009	Flexible Spending			

	Actual FY00	Actual FY01	Actual FY02	Budgeted FY03	Budgeted FY04	Budgeted FY05
Operating Revenues:						
Fee revenue						
Majority of revenue is from Premium- see below	-	-	-	-	-	-
Net Fee Revenue	-	-	-	-	-	-
Investment Earnings	401,699	500,981	234,544	245,750	245,750	245,750
Securities Lending Income	401,699	3,559	4,227	4,250	4,250	4,250
Premiums	29,109,794	31,534,158	36,343,889	43,356,655	51,086,803	59,281,632
Other Operating Revenues	(213,814)	26,045	235,945	235,913	235,913	235,913
Total Operating Revenues	29,699,378	32,064,743	36,818,605	43,842,568	51,572,716	59,767,545
Intrafund Revenue	-	-	-	-	-	-
Net Operating Revenues	29,699,378	32,064,743	36,818,605	43,842,568	51,572,716	59,767,545
Operating Expenses:						
Personal Services	153,054	148,334	149,992	156,815	173,426	173,298
Other Operating Expenses	28,796,591	31,504,643	36,679,615	43,291,346	50,038,734	57,431,212
Miscellaneous, operating	346,573	356,839	381,695	384,407	384,407	384,407
Miscellaneous, other	-	-	-	-	-	-
Total Operating Expenses	29,296,218	32,009,816	37,211,302	43,832,568	50,596,567	57,988,917
Intrafund Expense	-	-	-	-	-	-
Net Operating Expenses	29,296,218	32,009,816	37,211,302	43,832,568	50,596,567	57,988,917
Operating Income (Loss)	403,160	54,927	(392,697)	10,000	976,149	1,778,628
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	403,160	54,927	(392,697)	10,000	976,149	1,778,628
Capital Contribution	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Retained Earnings/Fund Balances - July 1 - As Restated	5,172,563	5,575,723	5,630,650	5,237,953	5,247,953	6,224,102
Net Income (Loss)	403,160	54,927	(392,697)	10,000	976,149	1,778,628
Retained Earnings/Fund Balances - June 30	5,575,723	5,630,650	5,237,953	5,247,953	6,224,102	8,002,730
60 days of expenses (Total Operating Expenses divided by 6)	4,882,703	5,334,969	6,201,884	7,305,428	8,432,761	9,664,820

Because certain employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion of these premiums paid by the state is statutorily established in 2-18-703, and because the employee-paid portion of these premiums must be adjusted from time to time to maintain employee group benefit plans on an actuarially sound basis, the legislature defines rates and fees for Montana university system employee benefit programs to mean the state contribution toward employee group benefits defined in 2-18-703 and the employee contribution toward employee group benefits necessary to maintain the employee group benefit plans on an actuarially sound basis.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	20.46	0.00	0.00	20.46	0.00	0.00	20.46	20.46
Personal Services	714,453	81,926	0	796,379	81,449	0	795,902	1,592,281
Operating Expenses	856,708	(5,908)	0	850,800	(5,683)	0	851,025	1,701,825
Capital Outlay	0	0	0	0	0	0	0	0
Grants	904,188	0	0	904,188	0	0	904,188	1,808,376
Total Costs	\$2,475,349	\$76,018	\$0	\$2,551,367	\$75,766	\$0	\$2,551,115	\$5,102,482
General Fund	83,839	8,509	0	92,348	8,389	0	92,228	184,576
Federal Special	2,391,510	67,509	0	2,459,019	67,377	0	2,458,887	4,917,906
Total Funds	\$2,475,349	\$76,018	\$0	\$2,551,367	\$75,766	\$0	\$2,551,115	\$5,102,482

Program Description

The Talent Search program is comprised of three distinct, but related, programs:

- Talent Search, with objectives that include decreasing the high school dropout rate of disadvantaged students in high schools and increasing their enrollment in post-secondary education.
- Minority Achievement, with the primary goal to enroll and graduate American Indian and other minorities in proportion to their representation in the state's population (Board of Regents Policy 1902 Minority Achievement).
- Gear-Up, with two components including
 - an early intervention component that provides activities such as mentoring, counseling, and outreach to students beginning no later than seventh grade; and
 - a scholarship component that may be used to award grants to eligible students under age 22.

Program Narrative

Talent Search Program Major Budget Highlights	
○	General fund reduction will reduce funding for the Minority Achievement program

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Talent Search						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 83,839	3.4%	\$ 92,348	3.6%	\$ 92,228	3.6%
03806 Talent Search	451,717	18.2%	547,270	21.5%	546,788	21.4%
03958 Gear-Up Grant	1,939,793	78.4%	1,911,749	74.9%	1,912,099	75.0%
Grand Total	<u>\$ 2,475,349</u>	<u>100.0%</u>	<u>\$ 2,551,367</u>	<u>100.0%</u>	<u>\$ 2,551,115</u>	<u>100.0%</u>

The Talent Search program is funded 100 percent from federal funds. There are no matching requirements.

The Minority Achievement program is funded 100 percent from state general fund. This program was begun in the late 1980's with a private grant and was approved by the 1991 legislature for general fund support.

The Gear Up program is funded from a five-year federal grant that requires a 50 percent non-federal match. The non-federal match is from in-kind services. The fifth year of the current federal authorization is federal fiscal year 2003. It is unknown if the grant will be reauthorized. The grantee has up to 27 months following the grant award to expend grant funds.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					115,107					114,613
Vacancy Savings					(33,181)					(33,164)
Inflation/Deflation					157					361
Fixed Costs					70					91
Total Statewide Present Law Adjustments					\$82,153					\$81,901
DP 7010 - Global Special Session Reductions	0.00	(6,135)	0	0	(6,135)	0.00	(6,135)	0	0	(6,135)
Total Other Present Law Adjustments	0.00	(\$6,135)	\$0	\$0	(\$6,135)	0.00	(\$6,135)	\$0	\$0	(\$6,135)
Grand Total All Present Law Adjustments					\$76,018					\$75,766

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 7010 - Global Special Session Reductions - This adjustment continues the special session reduction that was applied to the Minority Achievement Program.

LFD COMMENT

This program has historically experienced some vacancy savings. The proposed reduction, therefore, may be absorbed relatively easily.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	234,165	(27,896)	0	206,269	(27,461)	0	206,704	412,973
Operating Expenses	198,527	(97,989)	0	100,538	(97,936)	0	100,591	201,129
Capital Outlay	0	0	0	0	0	0	0	0
Grants	2,213,909	825,040	0	3,038,949	825,040	0	3,038,949	6,077,898
Transfers	5,140,179	(1,599,517)	0	3,540,662	(1,599,517)	0	3,540,662	7,081,324
Total Costs	\$7,786,780	(\$900,362)	\$0	\$6,886,418	(\$899,874)	\$0	\$6,886,906	\$13,773,324
General Fund	65,279	9,020	0	74,299	9,020	0	74,299	148,598
Federal Special	7,721,501	(909,382)	0	6,812,119	(908,894)	0	6,812,607	13,624,726
Total Funds	\$7,786,780	(\$900,362)	\$0	\$6,886,418	(\$899,874)	\$0	\$6,886,906	\$13,773,324

Program Description

The Office of the Commissioner of Higher Education and the Office of Public Instruction coordinate the primarily federal efforts to support vocational education at the secondary and post-secondary levels.

Program Narrative

Workforce Development Program Major Budget Highlights	
o	Special session reductions are made in personal services.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Work Force Development Pgm						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 65,279	0.8%	\$ 74,299	1.1%	\$ 74,299	1.1%
03215 Carl Perkins Federal Funds	5,044,306	64.8%	6,047,330	87.8%	6,047,818	87.8%
03808 School To Work Grant	2,153,746	27.7%	-	-	-	-
03951 Tech Prep Grant	523,449	6.7%	764,789	11.1%	764,789	11.1%
03958 Gear-Up Grant	-	-	-	-	-	-
Grand Total	\$ 7,786,780	100.0%	\$ 6,886,418	100.0%	\$ 6,886,906	100.0%

Present Law Adjustments											
-----Fiscal 2004-----						-----Fiscal 2005-----					
	FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services					29,873						30,222
Vacancy Savings					(10,562)						(10,575)
Inflation/Deflation					271						325
Fixed Costs					(29)						(19)
Total Statewide Present Law Adjustments					\$19,553						\$19,953
DP 81 - Federal Funds Adjustments											
	0.00	0	0	(914,214)	(914,214)		0.00	0	0	(914,126)	(914,126)
DP 7010 - Global Special Session Reductions											
	0.00	(5,701)	0	0	(5,701)		0.00	(5,701)	0	0	(5,701)
Total Other Present Law Adjustments											
	0.00	(\$5,701)	\$0	(\$914,214)	(\$919,915)		0.00	(\$5,701)	\$0	(\$914,126)	(\$919,827)
Grand Total All Present Law Adjustments					(\$900,362)						(\$899,874)

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 81 - Federal Funds Adjustments - This adjustment is a net of the following: 1) removal of the School to Work federal program from the base year, totaling \$2.1 million; and 2) the Carl Perkins vocational grant increases \$1.2 million based upon the expected federal authority plus anticipated carryover from fiscal 2003.

DP 7010 - Global Special Session Reductions - The Executive Budget continues the special session reductions that were applied to the Workforce Development Program.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	0	0	0	0	0	0
Transfers	135,450,085	4,782,870	(6,299,126)	133,933,829	5,585,808	(7,105,514)	133,930,379	267,864,208
Total Costs	\$135,450,085	\$4,782,870	(\$6,299,126)	\$133,933,829	\$5,585,808	(\$7,105,514)	\$133,930,379	\$267,864,208
General Fund	122,831,449	4,300,506	(6,299,126)	120,832,829	4,975,445	(7,105,514)	120,701,380	241,534,209
State/Other Special	12,618,636	482,364	0	13,101,000	610,363	0	13,228,999	26,329,999
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$135,450,085	\$4,782,870	(\$6,299,126)	\$133,933,829	\$5,585,808	(\$7,105,514)	\$133,930,379	\$267,864,208

Program Description

The Appropriation Distribution Program in the Office of the Commissioner of Higher Education (OCHE) is the conduit through which state funds flow to: 1) the university system units and colleges of technology and other campus related appropriations, and 2) the research/public service agencies.

The program budget is organized in this text as listed below. Present law and new proposal adjustments and explanations are included with the following subdivisions:

- Educational Units
- Agricultural Experiment Station (AES)
- Extension Service (ES)
- Forestry and Conservation Experiment Station (FCES)
- Montana Bureau of Mines (Bureau)
- Fire Services Training School (FSTS)
- Miscellaneous System Transfers, including distance learning, family practice residency, UM Yellow Bay, motorcycle safety, and AES Bio-based Institute

Program Narrative

Appropriation Distribution Program Major Budget Highlights	
<ul style="list-style-type: none"> ○ Executive Budget proposes approximate same general fund in the 2005 biennium as was appropriated in the 2003 biennium ○ Student enrollment increases are anticipated, but not funded, in the Executive Budget ○ Statewide present law adjustments, such as fixed cost increases and annualization of the 2003 pay plan, are not funded in the Executive Budget 	
Major LFD Issues	
<ul style="list-style-type: none"> ○ Future tuition impact 	

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Appropriation Distribution						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$122,831,449	90.7%	\$120,832,829	90.2%	\$120,701,380	90.1%
02289 Bureau Of Mines Groundwater	600,000	0.4%	666,000	0.5%	666,000	0.5%
02443 University Millage	11,868,912	8.8%	12,235,000	9.1%	12,362,999	9.2%
02944 Motorcycle Safety	<u>149,724</u>	<u>0.1%</u>	<u>200,000</u>	<u>0.1%</u>	<u>200,000</u>	<u>0.1%</u>
Grand Total	<u>\$135,450,085</u>	<u>100.0%</u>	<u>\$133,933,829</u>	<u>100.0%</u>	<u>\$133,930,379</u>	<u>100.0%</u>

Present Law Adjustments											
-----Fiscal 2004-----						-----Fiscal 2005-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds		
DP 7 - Dental Hygiene Program	0.00	119,683	0	0	119,683	0.00	119,683	0	0	119,683	
DP 92 - Motorcycle Safety Training	Adjust to Rev. Est.	0.00	0	50,276	0	50,276	0.00	0	50,276	0	50,276
DP 99 - NPQB Accreditation Fee	0.00	2,000	0	0	2,000	0.00	2,000	0	0	2,000	
DP 903 - Adjust Groundwater Account	0.00	0	66,000	0	66,000	0.00	0	66,000	0	66,000	
DP 906 - Water, Sewer, Elevator, Small Misc.	0.00	63,292	0	0	63,292	0.00	81,174	0	0	81,174	
DP 907 - Recharge & Admin. Assessment	0.00	(197,956)	0	0	(197,956)	0.00	(194,791)	0	0	(194,791)	
DP 999 - Helena and Great Falls COT Switch	0.00	0	0	0	0	0.00	0	0	0	0	
DP 7800 - Statewide Adjustments - Educational Units	0.00	4,740,138	0	0	4,740,138	0.00	5,554,838	0	0	5,554,838	
DP 7801 - Statewide Adjustments -AES	0.00	(165,419)	0	0	(165,419)	0.00	(181,145)	0	0	(181,145)	
DP 7802 - Statewide Adjustments - ES	0.00	41,501	0	0	41,501	0.00	30,797	0	0	30,797	
DP 7803 - Statewide Adjustments - BoM	0.00	(19,552)	0	0	(19,552)	0.00	(22,352)	0	0	(22,352)	
DP 7804 - Statewide Adjustments - FCES	0.00	59,623	0	0	59,623	0.00	57,262	0	0	57,262	
DP 7805 - Statewide Adjustments - FSTS	0.00	23,284	0	0	23,284	0.00	22,066	0	0	22,066	
Total Other Present Law Adjustments											
	0.00	\$4,666,594	\$116,276	\$0	\$4,782,870	0.00	\$5,469,532	\$116,276	\$0	\$5,585,808	
Grand Total All Present Law Adjustments					\$4,782,870	\$5,585,808					

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
Program	FTE	Fiscal 2004				Fiscal 2005				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 920 - Yellow Bay										
09	0.00	98,250	0	0	98,250	0.00	98,250	0	0	98,250
DP 922 - Beef Transfer Position - ES										
09	0.00	90,000	0	0	90,000	0.00	90,000	0	0	90,000
DP 7900 - Achieving the Governor's Target -Lump Programs										
09	0.00	(6,144,936)	0	0	(6,144,936)	0.00	(6,924,870)	0	0	(6,924,870)
DP 7901 - Achieving the Governor's Target - AES										
09	0.00	(155,482)	0	0	(155,482)	0.00	(182,350)	0	0	(182,350)
DP 7902 - Achieving the Governor's Target - ES										
09	0.00	(87,415)	0	0	(87,415)	0.00	(92,808)	0	0	(92,808)
DP 7903 - Achieving the Governor's Target - BoM										
09	0.00	2,371	0	0	2,371	0.00	5,171	0	0	5,171
DP 7904 - Achieving the Governor's Target - FCES										
09	0.00	(68,065)	0	0	(68,065)	0.00	(65,704)	0	0	(65,704)
DP 7905 - Achieving the Governor's Target - FSTS										
09	0.00	(33,849)	0	0	(33,849)	0.00	(33,203)	0	0	(33,203)
Total	0.00	(\$6,299,126)	\$0	\$0	(\$6,299,126)	0.00	(\$7,105,514)	\$0	\$0	(\$7,105,514)

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

Sub-Program Details

EDUCATIONAL UNITS -SP 01

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	0	0	0	0	0	0
Transfers	116,716,557	4,512,897	(6,144,936)	115,084,518	5,289,381	(6,924,870)	115,081,068	230,165,586
Total Costs	\$116,716,557	\$4,512,897	(\$6,144,936)	\$115,084,518	\$5,289,381	(\$6,924,870)	\$115,081,068	\$230,165,586
General Fund	104,847,645	4,146,809	(6,144,936)	102,849,518	4,795,294	(6,924,870)	102,718,069	205,567,587
State/Other Special	11,868,912	366,088	0	12,235,000	494,087	0	12,362,999	24,597,999
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$116,716,557	\$4,512,897	(\$6,144,936)	\$115,084,518	\$5,289,381	(\$6,924,870)	\$115,081,068	\$230,165,586

Sub-Program Description

This sub-program includes the state appropriations for the university units and colleges of technology.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
DP 7 - Dental Hygiene Program										
0.00	119,683		0	0	119,683	0.00	119,683	0	0	119,683
DP 906 - Water, Sewer, Elevator, Small Misc.										
0.00	63,292		0	0	63,292	0.00	81,174	0	0	81,174
DP 907 - Recharge & Admin. Assessment										
0.00	(444,847)		0	0	(444,847)	0.00	(500,945)	0	0	(500,945)
DP 999 - Helena and Great Falls COT Switch										
0.00	0		0	0	0	0.00	0	0	0	0
DP 7800 - Statewide Adjustments - Educational Units										
0.00	4,774,769		0	0	4,774,769	0.00	5,589,469	0	0	5,589,469
Total Other Present Law Adjustments										
0.00	\$4,512,897		\$0	\$0	\$4,512,897	0.00	\$5,289,381	\$0	\$0	\$5,289,381
Grand Total All Present Law Adjustments				\$4,512,897		\$5,289,381				

DP 906 - Water, Sewer, Elevator, Small Misc. - The Executive Budget includes an adjustment for the state share of water, sewer, and other miscellaneous items reported by the educational units and research agencies.

DP 907 - Recharge & Admin. Assessment - The executive proposes adjustments to the state share of recharges on the MSU campus and to the administrative assessment at UM-Missoula. These adjustments are summarized in Figure 7 below.

Figure 7 Proposed Recharge Adjustments - Decision Package 907 2005 Biennium Executive Budget		
Unit	FY 2004	FY 2005
UM-Missoula	(\$171,045)	(\$159,704)
MSU-Bozeman	(273,802)	(341,241)
Ag. Experiment Station	198,876	241,470
Extension Service	41,678	57,755
Fire Services	<u>6,337</u>	<u>6,909</u>
Net Adjustment	<u>(\$197,956)</u>	<u>(\$194,811)</u>

DP 7800 - Statewide Adjustments - Educational Units - The Executive Budget includes the state share of present law adjustments for the educational units of \$8,312,766 and \$7,919,733 in fiscal 2004 and fiscal 2005 respectively. This increase is reduced \$2,920,059 and \$1,708,623 to continue the special session reductions to the education units. Special session reductions were first used to zero-out present law adjustments for enrollment growth, fee waivers and the \$100 per resident student increase.

LFD COMMENT

The Executive Budget reduced the statewide present law adjustments for the educational units by \$3,537,998 in fiscal 2004 and \$2,330,264 in fiscal 2005 to continue the special session reductions to the education units instead of the amounts noted in the preceding explanatory paragraph.

New Proposals										
Sub Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 7900 - Achieving the Governor's Target -Lump Programs										
01	0.00	(6,144,936)	0	0	(6,144,936)	0.00	(6,924,870)	0	0	(6,924,870)
Total	0.00	(\$6,144,936)	\$0	\$0	(\$6,144,936)	0.00	(\$6,924,870)	\$0	\$0	(\$6,924,870)

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 7900 - Achieving the Governor's Target -Lump Programs - The Executive Budget reduces the general fund appropriation to keep within its proposed budget for the 2005 biennium.

The Office of the Commissioner of Higher Education (OCHE) has indicated that the Board of Regents will make the final determination of reductions. The Board of Regents will be meeting November 21-22, 2002, to begin to take up this issue. Ideas brought forward by the OCHE to the Office of Budget and Program Planning include:

- Continue the reductions made in fiscal 2003 for Baker Grants (MTAP). CHE may also need to look at additional reductions in this area.
- Reduce the WICHE/WWAMI/Minnesota Dental slots available for Montana students to pursue professional education. CHE is limited to reducing new student slots in this program.
- Additional program reviews, which identify programs with low productivity for examination and potential elimination, would continue and standards for review may be increased.
- OCHE will continue to press for administrative consolidation where potential efficiencies can be identified through these actions.
- Continue the tuition surcharge.
- Consider additional across-the-board and specific program reductions for the campuses.
- Consider additional tuition increases beyond the revenue raised by the current tuition surcharges.

**LFD
COMMENT**

Figure 8 summarizes the proposed Executive Budget and adjustments for the Appropriation Distribution program. The Executive Budget proposed the general fund appropriation for the Montana University System be established at the average of fiscal 2002 and fiscal 2003, following special session reductions. Following standard budget preparation procedure, the base budget is adjusted for statewide and other present law adjustments. In order to keep the 2005 budget within the proposed dollar amount, the executive applied the special session reductions to the present law adjustments and an additional reduction as a new proposal.

Figure 8

Appropriation Distribution Program -- 2005 Biennium Executive Budget Proposal
General Fund Only

	Actual Fiscal 2002	SW PLA (State Share) Fiscal 2004	Other PL Adjustments Fiscal 2004	SS Reductions Fiscal 2004	Other Exec. Reductions Fiscal 2004	Executive Budget* Fiscal 2004	SW PLA (State Share) Fiscal 2005	Other PL Adjustments Fiscal 2005	SS Reductions Fiscal 2005	Other Exec. Reductions Fiscal 2005	Executive Budget* Fiscal 2005	2005 Biennial Total
Educational Units												
UM-Missoula	\$32,716,137	\$2,564,859	(\$171,045)	\$0	\$0	\$34,839,993	\$2,459,237	(\$159,704)	\$0	\$0	\$34,809,735	\$69,649,728
MSU-Bozeman	35,009,435	3,194,186	(228,939)	0	0	37,923,034	3,113,838	(286,215)	0	0	37,682,241	75,605,275
UM-MT Tech	8,887,821	610,538	7,669	0	0	9,496,643	554,879	7,669	0	0	9,422,237	18,918,880
MSU-Billings	12,715,271	833,554	3,120	0	0	13,531,161	773,189	6,433	0	0	13,432,593	26,963,754
MSU-Northern	5,993,154	417,859	0	0	0	6,402,661	386,935	0	0	0	6,355,054	12,757,715
UM-Western	3,952,725	233,226	0	0	0	4,179,990	202,684	0	0	0	4,137,541	8,317,531
Great Falls COT **	3,039,104	310,043	119,683	0	0	3,468,830	298,160	119,683	0	0	3,456,947	6,925,777
Helena COT**	2,433,998	148,502	7,640	0	0	2,590,140	130,811	12,046	0	0	2,576,855	5,166,995
Transfers General	100,000	0	0	(3,537,998)	(6,144,936)	(9,582,934)	0	0	(2,330,264)	(6,924,870)	(9,155,134)	(18,738,068)
Family Practice Residency	341,200	0	0	(21,834)	0	319,366	0	0	(21,834)	0	319,366	638,732
Distant Learning	100,000	0	0	(12,798)	0	87,202	0	0	(12,798)	0	87,202	174,404
Yellow Bay	0	0	0	0	98,250	98,250	0	0	0	98,250	98,250	196,500
Other	0	0	0	0	0	0	0	0	0	0	0	0
Enrollment Growth	0	0	3,515,929	(3,515,929)	0	0	0	4,635,663	(4,635,663)	0	0	0
Continuation of \$100 resident inc.	0	0	2,500,000	(2,500,000)	0	0	0	2,500,000	(2,500,000)	0	0	0
Fee Waiver Inc. -- 50%	<u>0</u>	<u>0</u>	<u>903,000</u>	<u>(903,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>991,000</u>	<u>(991,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	\$105,288,845	\$8,312,767	\$6,657,057	(\$10,491,559)	(\$6,046,686)	\$103,354,336	\$7,919,733	\$7,826,575	(\$10,491,559)	(\$6,826,620)	\$103,222,887	\$206,577,223
Research/Public Service Agencies												
AES	\$10,102,324	\$627,977	\$198,876	(\$793,396)	(\$155,482)	\$9,980,299	\$612,251	\$241,470	(\$793,396)	(\$182,350)	\$9,980,299	\$19,960,598
Extension Services	4,242,336	341,166	41,678	(299,665)	(87,415)	4,238,100	330,462	57,775	(299,665)	(92,808)	4,238,100	8,476,200
FCES	919,661	113,881	0	(54,258)	(68,065)	911,219	111,520	0	(54,258)	(65,704)	911,219	1,822,438
Bureau of Mines	1,570,646	75,171	0	(94,723)	2,371	1,553,465	72,371	0	(94,723)	5,171	1,553,465	3,106,930
FSTS	507,637	52,413	8,337	(29,129)	(33,849)	505,409	51,195	8,909	(29,129)	(33,203)	505,409	1,010,818
Beef Transfer Position	0	0	0	0	90,000	90,000	0	0	0	90,000	90,000	180,000
AES BioBased	<u>200,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200,000</u>	<u>400,000</u>
Subtotal	\$17,542,604	\$1,210,608	\$248,891	(\$1,271,171)	(\$252,440)	\$17,478,492	\$1,177,799	\$308,154	(\$1,271,171)	(\$278,894)	\$17,478,492	\$34,956,984
GRAND TOTAL PROGRAM 09	<u>\$122,831,449</u>	<u>\$9,523,375</u>	<u>\$6,905,948</u>	<u>(\$11,762,730)</u>	<u>(\$6,299,126)</u>	<u>\$120,832,828</u>	<u>\$9,097,532</u>	<u>\$8,134,729</u>	<u>(\$11,762,730)</u>	<u>(\$7,105,514)</u>	<u>\$120,701,379</u>	<u>\$241,534,207</u>

*Executive Budget includes a base funding switch reducing general fund and increasing the statewide six-mill levy by \$366,088 in fiscal 2004 and \$494,087 in fiscal 2005.

**Reflects correction of accounting error. Base year expenditures reported for Helena College of Technology included \$771,611 of expenditures belonging to Great Falls College of Technology.

Language Recommendations

Other Appropriated Revenue

The executive proposes the following language identifying the kind and amount of other revenue supporting the general operating budgets of the educational units but not included in the line items in HB 2.

"Revenue appropriated to the Montana university system units and colleges of technology includes:

- (1) state special revenue from interest earnings of \$1,460,000 each year of the 2005 biennium;
- (2) tuition revenue of \$151,512,000 in fiscal year 2004 and \$153,414,000 in fiscal year 2005; and
- (3) other revenue of \$1,183,000 each year of the 2005 biennium.

These amounts are appropriated for current unrestricted operating expenses as a biennial lump-sum appropriation and are in addition to the funds shown in [Educational Units]."

Transfer to Debt Service

The executive proposes the following language that directs a transfer from the university system to pay debt service costs on general obligation bonds sold to fund energy improvements at the campuses. This language has been inserted into HB 2 for several biennia.

"Item [Educational Units] includes \$1,024,220 in each year of the biennium that must be transferred to the energy conservation program account and used to retire the general obligation bonds sold to fund energy improvements through the state energy conservation program. The costs of this transfer in each year of the biennium are: university of Montana-Missoula, \$157,100 in fiscal year 2004 and \$135,100 in fiscal year 2005; Montana tech of the university of Montana, \$28,000; Montana state university-northern, \$87,800 in fiscal year 2004 and \$83,800 in fiscal year 2005; Montana state university -Bozeman \$58,000; Montana state university-Billings, \$161,500; and western Montana college of the university of Montana, \$12,410."

Support for Montana Natural Resources Information System

"Item [Educational Units] includes a total of \$44,253 of general fund money for the 2005 biennium for the Montana natural resources information system (NRIS). The Montana university system shall pay an additional \$44,253 for the 2005 biennium in current funds in support of NRIS. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated."

Legislative Audit Costs

"Total audit costs are estimated to be \$473,188 for the university system other than the office of the commissioner of higher education. Each unit shall pay a percentage of these costs from funds other than those appropriated in item [Educational Units - Legislative Audit]."

Other Issues

LFD ISSUE

Impact of Executive Budget on Education Units

In order for the legislature to get an understanding of what the real impact of the proposed Executive Budget will be on the Montana University System, it needs to know the Board of Regent's intent for how much of the special session reduction (and if approved, the additional reduction contained in the Executive Budget) is a permanent expenditure reduction and how much of the reduction will be permanently made up via tuition increases. The board has not yet made that decision. Until that is known, everything is just speculation.

For fiscal 2003, the board approved tuition surcharges intended to recover no more than one-half of the special session general fund reduction. Tuition surcharges approved by the board in September 2002 averaged 8.0 percent on top of the average 11.8 percent rate increase⁷ from fiscal 2002 to fiscal 2003 authorized by the board in May 2002. Enrollment increases have resulted in higher-than-anticipated tuition revenue and at the November 2002 meeting, the board authorized reductions in the tuition surcharge. Tuition surcharges are expected to recover about 45 percent of the special session reductions, other revenue accounts for about 2 percent, and expenditure reductions make up the remaining 53 percent.

⁷ Weighted average tuition increase, all campuses, resident undergraduate student
Commissioner Of Higher Ed

**LFD
ISSUE
(Cont.)**

Having prefaced this issue with those remarks, the remainder of the issue will attempt to address the impact using various assumptions on expenditure reductions/tuition increases.

What is the fiscal impact?

The proposed Executive Budget for the educational units of the Montana University System reduces state general fund \$16.5 million in fiscal 2004 and \$17.3 million in fiscal 2005 from the fiscal 2002 base, a total reduction of \$33.8 million, or about 12 percent from the 2003 biennium.

The executive used almost one-quarter of the proposed reduction to offset the present law adjustment for enrollment increases and another 15 percent was used to offset a \$100 per resident student increase authorized by the 2001 legislature. However, the executive offers no insight to the service impact this reduction could have on the college campuses.

A large portion of the proposed reduction, \$18.7 million, over one-half, is non-specific. The executive has suggested a few areas within the Montana University System budget that may be considered for reduction. (These are listed in the decision package description for DP 7900). One area suggested for closer scrutiny is the student assistance program that contains state funding for student assistance grants (Baker grants), state work-study, and interstate professional student exchange program support. The interstate professional student exchange program provides Montana students access to professional education in other states, such as medicine and veterinary science, not available in Montana. Student assistance grants and work-study are intended to help Montana students gain access to postsecondary education. The entire budget for the student assistance program could be eliminated by the legislature and there would remain approximately \$1.3 million yet to cut from the unspecified reduction.

Put into another context, the total \$33.8 million proposed budget reduction represents two-years' compensation for approximately 235 associate professors at Montana State University-Bozeman (MSU-Bozeman reported 145.8 FTE Associate Professors supported by current unrestricted operating funds in fiscal 2003). The entire current unrestricted budgets (state funds and tuition, which is not appropriated) for MSU-Northern, MSU-College of Technology Great Falls, UM-Western, and UM-College of Technology Helena for fiscal 2003 total approximately \$30.0 million.

With a reduction of \$33.8 million, the university campuses will have an average of \$622 less state support each year per Montana student to provide education services.

Tuition Impact

Another suggestion offered by the executive to address potential state funding reductions is to continue and/or increase the tuition surcharges currently authorized by the Board of Regents. In order to recover the \$33.8 million proposed reduction through tuition increases, the tuition rates would have to increase about three and one-half percent a year on top of the current surcharges. In other words, the tuition rate surcharges would become permanent and tuition rates would increase another three and one-half percent per year in the 2005 biennium.

On the other hand, the Board of Regents may decide to make some of the fiscal 2003 expenditure reductions permanent. If the board orders one-half of the proposed reductions to be recovered via tuition increases and one-half to become permanent expenditure reductions, the current tuition surcharges could be reduced and no further increases would be necessary (unless there are other budget initiatives sought by the Board or enrollment is significantly less than projected).

**LFD
ISSUE
(Cont.)**

Figure 9 summarizes the estimated tuition changes resulting from potential Board of Regents decisions on how to implement state funding reductions authorized by the 2003 legislature. Also included at the bottom of the figure is the estimated percent of state funds supporting the educational units current unrestricted budget (state funds and tuition) for the various scenarios of how the board handles the state funding reductions.

Figure 9
Summary of Estimated Tuition Changes and Percent State Support
Board of Regents Implementation of Proposed Executive Budget Reduction
Educational Units -- 2005 Biennium

	No Expenditure Reduction	One-Half Expenditure Reduction	All Expenditure Reduction
From FY03 Tuition with Surcharge	3.5%/yr increase	Reduce Tuition	Reduce Tuition
From FY03 Tuition without Surcharge	7.0%/yr increase	2.5%/yr increase	Reduce Tuition
Percent State Funds	42.3%	43.8%	45.3%

Sub-Program Details

AES TRANSFERS - SP 09

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers	10,102,324	33,457	(155,482)	9,980,299	60,325	(182,350)	9,980,299	19,960,598
Total Costs	\$10,102,324	\$33,457	(\$155,482)	\$9,980,299	\$60,325	(\$182,350)	\$9,980,299	\$19,960,598
General Fund	10,102,324	33,457	(155,482)	9,980,299	60,325	(182,350)	9,980,299	19,960,598
Total Funds	\$10,102,324	\$33,457	(\$155,482)	\$9,980,299	\$60,325	(\$182,350)	\$9,980,299	\$19,960,598

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 907 - Recharge & Admin. Assessment									
0.00	198,876	0	0	198,876	0.00	241,470	0	0	241,470
DP 7801 - Statewide Adjustments -AES									
0.00	(165,419)	0	0	(165,419)	0.00	(181,145)	0	0	(181,145)
Total Other Present Law Adjustments	0.00	\$33,457	\$0	\$0	\$33,457	0.00	\$60,325	\$0	\$0
Grand Total All Present Law Adjustments				\$33,457					\$60,325

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 907 - Recharge & Admin. Assessment - The executive proposes adjustments to the state share of recharges on the MSU campus and to the administrative assessment at UM-Missoula.

LFD
COMMENT

See DP 907 - Recharge & Administrative Assessment description and table in the Educational Units subprogram narrative for additional information.

DP 7801 - Statewide Adjustments -AES - The Executive Budget proposed statewide adjustments include the state share of present law adjustments, \$627,977 in fiscal 2004 and \$612,251 in fiscal 2005, offset by continuing the special session reductions of \$793,396. To respond to the state funding reduction in fiscal 2003, AES reduced personal services \$346,835 by eliminating five faculty and three professional positions, reduced operating expenses \$53,561, and reduced equipment \$393,000.

New Proposals										
Sub Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 7901 - Achieving the Governor's Target - AES 09	0.00	(155,482)	0	0	(155,482)	0.00	(182,350)	0	0	(182,350)
Total	0.00	(\$155,482)	\$0	\$0	(\$155,482)	0.00	(\$182,350)	\$0	\$0	(\$182,350)

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 7901 - Achieving the Governor's Target - AES - The executive proposes the general fund appropriation for the Agricultural Experiment Station be based on the average of the fiscal 2002 and fiscal 2003 appropriation after the special session. To achieve this proposed funding level, the executive reduces state funding by an additional \$155,482 and \$182,350 in fiscal 2004 and fiscal 2005 respectively. AES is considering a plan to eliminate positions that are beyond the 5 faculty positions lost in the fiscal 2003 special session reductions.

LFD COMMENT

See comment on DP 7900 in the Educational Units section and Figure 8 on page E-129 for more information on the Executive Budget reductions.

Language Recommendations

Other Revenue

The executive proposes the following language that identifies the source and estimated amount of non-state funds that are used to fund the general operating budget of the Agricultural Experiment Station:

"Revenue appropriated to the agricultural experiment station includes:

- (1) state special revenue from interest earnings and other revenue of \$184,472 each year of the 2005 biennium;
- (2) federal revenue of \$2,022,075 in fiscal year 2004 and \$2,022,078 in fiscal year 2005; and
- (3) proprietary revenue from sales of \$939,881 in fiscal year 2004 and \$939,881 in fiscal year 2005.

These amounts are appropriated for current unrestricted operating expenses and are in addition to the funds shown in (Agricultural Experiment Station)."

Sub-Program Details

EXTENSION SERVICE TRF - SP 10

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers	4,242,336	83,179	2,585	4,328,100	88,572	(2,808)	4,328,100	8,656,200
Total Costs	\$4,242,336	\$83,179	\$2,585	\$4,328,100	\$88,572	(\$2,808)	\$4,328,100	\$8,656,200
General Fund	4,242,336	83,179	2,585	4,328,100	88,572	(2,808)	4,328,100	8,656,200
Total Funds	\$4,242,336	\$83,179	\$2,585	\$4,328,100	\$88,572	(\$2,808)	\$4,328,100	\$8,656,200

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 907 - Recharge & Admin. Assessment									
0.00	41,678	0	0	41,678	0.00	57,775	0	0	57,775
DP 7802 - Statewide Adjustments - ES									
0.00	41,501	0	0	41,501	0.00	30,797	0	0	30,797
Total Other Present Law Adjustments									
0.00	\$83,179	\$0	\$0	\$83,179	0.00	\$88,572	\$0	\$0	\$88,572
Grand Total All Present Law Adjustments				\$83,179					\$88,572

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 907 - Recharge & Admin. Assessment - The executive proposes adjustments to the state share of recharges on the MSU campus and to the administrative assessment at UM-Missoula.

LFD
COMMENT

See DP 907 - Recharge & Administrative Assessment description and table in the Educational Units subprogram narrative for additional information.

DP 7802 - Statewide Adjustments - ES - The Executive Budget proposed statewide adjustments include the state share of present law adjustments, \$341,166 in fiscal 2004 and \$330,462 in fiscal 2005, offset by continuing the special session reductions of \$299,665. To achieve the reductions of the special session, ES eliminated support to the local government center by \$25,000, discontinued partial support to animal and range associate positions by \$8,000, reduced the operations and equipment \$40,000, reduced the director's operations budget \$29,594, reduced the publications budget \$13,000, reduced specialist operations \$32,410, reduced the capital and operations budget \$33,000, and left open other agent and specialist positions, saving \$118,661.

New Proposals										
Sub Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 922 - Beef Transfer Position - ES										
10	0.00	90,000	0	0	90,000	0.00	90,000	0	0	90,000
DP 7902 - Achieving the Governor's Target - ES										
10	0.00	(87,415)	0	0	(87,415)	0.00	(92,808)	0	0	(92,808)
Total	0.00	\$2,585	\$0	\$0	\$2,585	0.00	(\$2,808)	\$0	\$0	(\$2,808)

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 922 - Beef Transfer Position - ES - The executive proposes continuing the Beef Transfer Position with the Montana Extension Service. The appropriation was established as a one-time-only appropriation in the 2003 biennium.

DP 7902 - Achieving the Governor's Target - ES - The executive proposes the general fund appropriation for the Extension Service be based on the average of the fiscal 2002 and fiscal 2003 appropriation after the special session. To achieve this proposed funding level, the executive reduces state funding by an additional \$87,415 and \$92,808 in fiscal 2004 and fiscal 2005 respectively. ES has indicated that they will carry forward the fiscal 2003 special session reductions to achieve the reduction.

LFD COMMENT

See comment on DP 7900 in the Educational Units section and Figure 8 on page E-129 for more information on the Executive Budget reductions.

Language Recommendations

Other Revenue

The executive proposes the following language that identifies the source and estimated amount of non-state funds that are used to fund the general operating budget of the Extension Service:

"Revenue appropriated to the extension service includes:

- (1) state special revenue from interest earnings of \$20,606 each year of the 2005 biennium; and
- (2) federal revenue of \$2,490,698 in fiscal year 2004 and \$2,485,644 in fiscal year 2005.

These amounts are appropriated for current unrestricted operating expenses and are in addition to the funds shown in item (Extension Station)."

Montana Beef Network

The executive proposes continuing the language that establishes the funding for the Montana beef network as a one-time-only appropriation:

"General fund money of \$90,000 each year of the 2005 biennium in item (Montana Beef Network) is a biennial, one-time-only appropriation for one staff person and for expenses for the Montana beef network within the extension service."

Sub-Program Details

FCES TRANSFER - SP 11

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers	919,661	59,623	(68,065)	911,219	57,262	(65,704)	911,219	1,822,438
Total Costs	\$919,661	\$59,623	(\$68,065)	\$911,219	\$57,262	(\$65,704)	\$911,219	\$1,822,438
General Fund	919,661	59,623	(68,065)	911,219	57,262	(65,704)	911,219	1,822,438
Total Funds	\$919,661	\$59,623	(\$68,065)	\$911,219	\$57,262	(\$65,704)	\$911,219	\$1,822,438

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
DP 7804 - Statewide Adjustments - FCES										
0.00	59,623		0	0	59,623	0.00	57,262	0	0	57,262
Total Other Present Law Adjustments										
0.00	\$59,623		\$0	\$0	\$59,623	0.00	\$57,262	\$0	\$0	\$57,262
Grand Total All Present Law Adjustments					\$59,623					\$57,262

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 7804 - Statewide Adjustments - FCES - The Executive Budget proposed statewide adjustments include the state share of present law adjustments, \$113,881 in fiscal 2004 and \$111,520 in fiscal 2005, offset by continuing the special session reductions of \$54,258. To manage the fiscal 2003 expenditure reduction, FCES reduced personal services and operating expenses.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 7904 - Achieving the Governor's Target - FCES										
11	0.00	(68,065)	0	0	(68,065)	0.00	(65,704)	0	0	(65,704)
Total	0.00	(\$68,065)	\$0	\$0	(\$68,065)	0.00	(\$65,704)	\$0	\$0	(\$65,704)

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 7904 - Achieving the Governor's Target - FCES - The executive proposes the general fund appropriation for the Forest and Conservation Experiment Station be based on the average of the fiscal 2002 and fiscal 2003 appropriation after the special session. To achieve this proposed funding level, the executive reduces state funding by an additional \$68,065 and \$65,704 in fiscal 2004 and fiscal 2005 respectively. The agency will continue to look at reducing personal service reductions since its budget is primarily personal services.

**LFD
COMMENT**

See comment on DP 7900 in the Educational Units section and Figure 8 on page E-129 for more information on the Executive Budget reductions.

Language Recommendations*Other Revenue*

The executive proposes the following language that identifies the source and estimated amount of non-state funds that are used to fund the general operating budget of the Forestry and Conservation Experiment Station:

"Interest revenue of \$4,858 in each year of the 2005 biennium is appropriated to the forestry and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in item (Forestry and Conservation Experiment Station)."

Sub-Program Details

BUREAU TRANSFERS - SP 12

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers	2,170,646	46,448	2,371	2,219,465	43,648	5,171	2,219,465	4,438,930
Total Costs	\$2,170,646	\$46,448	\$2,371	\$2,219,465	\$43,648	\$5,171	\$2,219,465	\$4,438,930
General Fund	1,570,646	(19,552)	2,371	1,553,465	(22,352)	5,171	1,553,465	3,106,930
State/Other Special	600,000	66,000	0	666,000	66,000	0	666,000	1,332,000
Total Funds	\$2,170,646	\$46,448	\$2,371	\$2,219,465	\$43,648	\$5,171	\$2,219,465	\$4,438,930

Present Law Adjustments										
-----Fiscal 2004-----					-----Fiscal 2005-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
DP 903 - Adjust Groundwater Account	0.00	0	66,000	0	66,000	0.00	0	66,000	0	66,000
DP 7803 - Statewide Adjustments - BoM	0.00	(19,552)	0	0	(19,552)	0.00	(22,352)	0	0	(22,352)
Total Other Present Law Adjustments	0.00	(\$19,552)	\$66,000	\$0	\$46,448	0.00	(\$22,352)	\$66,000	\$0	\$43,648
Grand Total All Present Law Adjustments					\$46,448					\$43,648

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 903 - Adjust Groundwater Account - The Executive Budget proposed an increase in the groundwater assessment account of \$66,000 over the base year amount. This increase occurred in fiscal 2003 when the resource indemnity trust fund reached \$100 million.

DP 7803 - Statewide Adjustments - BoM - The Executive Budget proposed statewide adjustments include the state share of present law adjustments of \$75,171 in fiscal 2004 and \$72,371 in fiscal 2005, offset by continuing the special session reductions of \$94,723. Reductions included \$41,111 to personal services; \$15,117 in contracted services; \$3,410 in supplies; \$16,871 in travel; \$5,080 in other operating expenses and \$13,134 in equipment. The bureau has indicated that they will continue their fiscal 2003 special session reductions.

New Proposals										
Sub Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 7903 - Achieving the Governor's Target - BoM 12	0.00	2,371	0	0	2,371	0.00	5,171	0	0	5,171
Total	0.00	\$2,371	\$0	\$0	\$2,371	0.00	\$5,171	\$0	\$0	\$5,171

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 7903 - Achieving the Governor's Target - BoM - The executive proposes the general fund appropriation for the Bureau of Mines be based on the average of the fiscal 2002 and fiscal 2003 appropriation after the special session. To achieve this proposed funding level, the executive increases state funding by an additional \$2,371 and \$5,171 in fiscal 2004 and fiscal 2005, respectively.

LFD COMMENT

See comment on DP 7900 in the Educational Units section and Figure 8 on page E-129 for more information on the Executive Budget reductions.

Language Recommendations

Other Revenue

The executive proposes the following language that identifies the source and estimated amount of non-state funds that are used to fund the general operating budget of the Bureau of Mines and Geology:

"Proprietary revenue of \$29,157 each year of the 2005 biennium is appropriated to the bureau of mines and geology for current unrestricted operating expenses. This amount is in addition to that shown in item (Bureau of Mines and Geology)."

Sub-Program Details

FSTS TRANSFERS - SP 19

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers	507,637	31,621	(33,849)	505,409	30,975	(33,203)	505,409	1,010,818
Total Costs	\$507,637	\$31,621	(\$33,849)	\$505,409	\$30,975	(\$33,203)	\$505,409	\$1,010,818
General Fund	507,637	31,621	(33,849)	505,409	30,975	(33,203)	505,409	1,010,818
Total Funds	\$507,637	\$31,621	(\$33,849)	\$505,409	\$30,975	(\$33,203)	\$505,409	\$1,010,818

Present Law Adjustments											
-----Fiscal 2004-----						-----Fiscal 2005-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds		
DP 99 - NPQB Accreditation Fee	0.00	2,000	0	0	2,000	0.00	2,000	0	0	2,000	
DP 907 - Recharge & Admin. Assessment	0.00	6,337	0	0	6,337	0.00	6,909	0	0	6,909	
DP 7805 - Statewide Adjustments - FSTS	0.00	23,284	0	0	23,284	0.00	22,066	0	0	22,066	
Total Other Present Law Adjustments											
0.00	\$31,621		\$0	\$0	\$31,621	0.00	\$30,975	\$0	\$0	\$30,975	
Grand Total All Present Law Adjustments					\$31,621						\$30,975

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 99 - NPQB Accreditation Fee - The executive proposes a \$2,000 per year general fund increase for the Fire Services Training School to pay a fee to the National Board on Fire Service Professional Qualifications. This fee is required to maintain accreditation.

DP 907 - Recharge & Admin. Assessment - The executive proposes adjustments to the state share of recharges on the MSU campus and to the administrative assessment at UM-Missoula.

LFD
COMMENT

See DP 907 - Recharge & Administrative Assessment description and table in the Educational Units subprogram narrative for additional information.

DP 7805 - Statewide Adjustments - FSTS - The Executive Budget proposes statewide adjustments include the state share of present law adjustments \$52,413 in fiscal 2004 and \$51,195 in fiscal 2005, offset by \$29,129 of special session reductions. A vehicle replacement was deferred in fiscal 2003.

New Proposals										
Sub Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 7905 - Achieving the Governor's Target - FSTS										
19	0.00	(33,849)	0	0	(33,849)	0.00	(33,203)	0	0	(33,203)
Total	0.00	(\$33,849)	\$0	\$0	(\$33,849)	0.00	(\$33,203)	\$0	\$0	(\$33,203)

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 7905 - Achieving the Governor's Target - FSTS - The executive proposes the general fund appropriation for the Fire Services Training School be based on the average of the fiscal 2002 and fiscal 2003 appropriation after the special session. To achieve this proposed funding level, the executive reduces state funding by an additional \$33,849 and \$33,203 in fiscal 2004 and fiscal 2005 respectively. The agency is considering a plan to partially fund a trainer position and reduce equipment purchases by approximately 50 percent to realize the budget reductions.

LFD COMMENT

See comment on DP 7900 in the Educational Units section and Figure 8 on page E-129 for more information on the Executive Budget reductions.

Language Recommendations

Other Revenue

The executive proposes the following language that identifies the source and estimated amount of non-state funds that are used to fund the general operating budget of the Fire Services Training School:

"Interest revenue of \$1,545 each year of the 2005 biennium is appropriated to the fire services training school for current unrestricted operating expenses. This amount is in addition to that shown in item (Fire Services Training School)."

Sub-Program Details

MISCELLANEOUS SYSTEM TRANSFERS -SP 24

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	0	0	0	0	0	0
Transfers	790,924	15,645	98,250	904,819	15,645	98,250	904,819	1,809,638
Total Costs	\$790,924	\$15,645	\$98,250	\$904,819	\$15,645	\$98,250	\$904,819	\$1,809,638
General Fund	641,200	(34,631)	98,250	704,819	(34,631)	98,250	704,819	1,409,638
State/Other Special	149,724	50,276	0	200,000	50,276	0	200,000	400,000
Total Funds	\$790,924	\$15,645	\$98,250	\$904,819	\$15,645	\$98,250	\$904,819	\$1,809,638

Sub-Program Description

The budgets contained in this sub-program include the distance learning program, family practice residency administered out of MSU-Bozeman, the UM-Yellow Bay appropriation, the motorcycle safety program at MSU-Northern, and the AES Biobased Institute. These programs are budgeted separately as they have been funded separately by the legislature, but still included in the lump sum appropriation. However, as the AES Biobased Institute "belongs" to the AES and is not in the lump-sum appropriation, it should be budgeted with the AES.

Present Law Adjustments											
-----Fiscal 2004-----						-----Fiscal 2005-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds		
DP 92 - Motorcycle Safety Training Adjust to Rev. Est.											
0.00	0	50,276	0	50,276	0.00	0	50,276	0	50,276		
DP 7800 - Statewide Adjustments - Educational Units											
0.00	(34,631)	0	0	(34,631)	0.00	(34,631)	0	0	(34,631)		
Total Other Present Law Adjustments											
0.00	(\$34,631)	\$50,276	\$0	\$15,645	0.00	(\$34,631)	\$50,276	\$0	\$15,645		
Grand Total All Present Law Adjustments				\$15,645						\$15,645	

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 92 - Motorcycle Safety Training Adjust to Rev. Est. - The executive adjusts the motorcycle safety training appropriation to equal the projected \$400,000 of revenue over the 2005 biennium. The fund received \$204,129 in fiscal 2002.

DP 7800 - Statewide Adjustments - Educational Units - The executive proposes special session reductions applied to the family practice residency and distance learning appropriations be continued into the 2005 biennium.

LFD
COMMENT

The impact of the special session reductions on the noted programs was not identified in the Executive Budget.

New Proposals										
Sub Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 920 - Yellow Bay 24	0.00	98,250	0	0	98,250	0.00	98,250	0	0	98,250
Total	0.00	\$98,250	\$0	\$0	\$98,250	0.00	\$98,250	\$0	\$0	\$98,250

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 920 - Yellow Bay - The executive proposes continuing the Yellow Bay line-item appropriation at the average of fiscal 2002 and fiscal 2003 appropriated after the special session. The Yellow Bay appropriation was a one-time-only appropriation last biennium.

Language Recommendations

Appropriation Condition for Biobased Institute

The executive proposes continuing the following language that requires the AES collect \$140,000 of private, nonpublic money each year of the biennium for purposes of supporting the institute prior to expending any of the general fund appropriation.

"The general fund money in (Institute for Biobased Products and Food Science) is appropriated with the condition that, prior to the expenditure of the general fund money, the Montana agricultural experiment station collect \$140,000 of private, nonpublic money each year of the 2005 biennium for the purpose of supporting the institute for biobased products and food science."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grants	96,500	0	0	96,500	(96,500)	0	0	96,500
Total Costs	\$96,500	\$0	\$0	\$96,500	(\$96,500)	\$0	\$0	\$96,500
General Fund	96,500	0	0	96,500	(96,500)	0	0	96,500
Total Funds	\$96,500	\$0	\$0	\$96,500	(\$96,500)	\$0	\$0	\$96,500

Program Description

The program provides assistance to tribal colleges in Montana.

Program Narrative

Tribal College Assistance Major Budget Highlights	
○	The Executive Budget includes the same level of funding for the 2005 biennium as funded by the August 2002 special legislative session for the 2003 biennium.
○	

State law requires the Board of Regents to provide financial assistance to tribally controlled community colleges for enrolled resident non-beneficiary students, subject to a line item appropriation for this purpose. Appropriations for this program have been variable, ranging from \$1.4 million in the 1997 biennium to no funding in the 1999 biennium.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Tribal College Assistance Program						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 96,500	100.0%	\$ 96,500	100.0%	\$ -	0%
Grand Total	\$ 96,500	100.0%	\$ 96,500	100.0%	\$ -	0%

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 1112 - Tribal College Assistance Adjustment									
0.00	0	0	0	0	0.00	(96,500)	0	0	(96,500)
Total Other Present Law Adjustments									
0.00	\$0	\$0	\$0	\$0	0.00	(\$96,500)	\$0	\$0	(\$96,500)
Grand Total All Present Law Adjustments				\$0	(\$96,500)				

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1112 - Tribal College Assistance Adjustment - The appropriation was a biennial appropriation and was established in the base year. This technical adjustment is necessary to remove the duplicate appropriation that was established in MBARS.

LFD COMMENT

The 2001 legislature appropriated \$100,000 general fund for the 2003 biennium for this assistance to tribal colleges. Special session global reductions totaled \$3,500. The remaining \$96,500 was distributed to tribal colleges in fiscal 2002 on the basis of fiscal 2001 non-beneficiary enrollment of 289.03 full-time equivalent students. This equates to approximately \$334 per non-beneficiary student. In fiscal 2000, \$417,000 was distributed to tribal colleges on the basis of fiscal 1999 non-beneficiary enrollment of 286.29 full-time equivalent students, or approximately \$1,457 per non-beneficiary student.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	46.20	0.00	3.00	49.20	0.00	3.00	49.20	49.20
Personal Services	1,614,391	48,898	102,347	1,765,636	49,163	102,217	1,765,771	3,531,407
Operating Expenses	4,135,610	1,076	0	4,136,686	2,411	0	4,138,021	8,274,707
Equipment	9,895	0	0	9,895	0	0	9,895	19,790
Benefits & Claims	23,340,271	3,000,000	0	26,340,271	6,000,000	0	29,340,271	55,680,542
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$29,100,167	\$3,049,974	\$102,347	\$32,252,488	\$6,051,574	\$102,217	\$35,253,958	\$67,506,446
Federal Special	29,100,167	3,049,974	102,347	32,252,488	6,051,574	102,217	35,253,958	67,506,446
Total Funds	\$29,100,167	\$3,049,974	\$102,347	\$32,252,488	\$6,051,574	\$102,217	\$35,253,958	\$67,506,446

Program Description

The Montana Guaranteed Student Loan Program (MGSLP) operates under federal regulation to guarantee federal student loans. MGSLP purchases and services student loans that have been defaulted, works to prevent default, collects outstanding principal from defaulted loans and provides training and technical assistance to schools and lenders under Title 20, Chapter 26, MCA.

Program Narrative

Guaranteed Student Loan Program Major Budget Highlights	
<ul style="list-style-type: none"> ○ Montana State University rejoins the Federal Family Education Loan Program ○ 3.0 additional FTE to further program goals funded with federal and private revenues 	

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor. Funding is from a combination of federal and private revenues from the loan services provided.

Program Funding Table Guaranteed Student Loan Pgm						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
03400 Guaranteed Std. Loan-Admin.	\$ 8,633,671	29.7%	\$ 8,785,992	27.2%	\$ 8,787,462	24.9%
03401 Gsl - Reserve Account	20,466,496	70.3%	23,466,496	72.8%	26,466,496	75.1%
Grand Total	<u>\$ 29,100,167</u>	<u>100.0%</u>	<u>\$ 32,252,488</u>	<u>100.0%</u>	<u>\$ 35,253,958</u>	<u>100.0%</u>

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					118,199					118,479
Vacancy Savings					(69,301)					(69,316)
Inflation/Deflation					6,588					7,116
Fixed Costs					(5,512)					(4,705)
Total Statewide Present Law Adjustments					\$49,974					\$51,574
DP 14 - Increase Claims Payment & Collection Recoveries										
	0.00	0	0	3,000,000	3,000,000	0.00	0	0	6,000,000	6,000,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$3,000,000	\$3,000,000	0.00	\$0	\$0	\$6,000,000	\$6,000,000
Grand Total All Present Law Adjustments					\$3,049,974					\$6,051,574

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 14 - Increase Claims Payment & Collection Recoveries - During fiscal 2003, the Montana Guaranteed Student Loan Program (MGSLP) anticipates the reintroduction of Montana State University Bozeman (MSU) to the Federal Family Education Loan Program (FFELP). MSU left FFELP in 1994 to participate in the (then) new Federal Direct Loan Program for their federal student loan volume. With the addition of MSU's loan volume, MGSLP anticipates an increase in gross claim payments for which the agency must have appropriate authority to pay. (MGSLP is later reimbursed for these claim payments by the U.S. Department of Education.) With the addition of increased claim payments, MGSLP also anticipates increased collections on the associated defaulted loans. MGSLP must have appropriate authority to pay the Department of Education's share of the default collection recoveries.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 15 - GSL Additional FTE										
12	3.00	0	0	102,347	102,347	3.00	0	0	102,217	102,217
Total	3.00	\$0	\$0	\$102,347	\$102,347	3.00	\$0	\$0	\$102,217	\$102,217

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 15 - GSL Additional FTE - The Executive Budget proposes the addition of 3.00 FTE to provide additional outreach services, support the loan disbursement escrow service to Montana schools and lenders, and improve agency accountability through reconciliation with the National Student Loan Data System and expanded production of statistical and accounting reports. MGSLP proposes a 1.00 FTE outreach coordinator, a 1.00 FTE accounting technician, and a 1.00 FTE research analyst.

There is no state funding in the MGSLP and these positions will be paid from revenue on the services provided.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	14,400	(1,963)	0	12,437	(1,963)	0	12,437	24,874
Operating Expenses	39,452	0	0	39,452	0	0	39,452	78,904
Total Costs	\$53,852	(\$1,963)	\$0	\$51,889	(\$1,963)	\$0	\$51,889	\$103,778
General Fund	53,852	(1,963)	0	51,889	(1,963)	0	51,889	103,778
Total Funds	\$53,852	(\$1,963)	\$0	\$51,889	(\$1,963)	\$0	\$51,889	\$103,778

Program Description

The Board of Regents program provides secretarial support, travel, and per diem for the Board of Regents. The Board of Regents has full power, responsibility, and authority to supervise, coordinate, manage, and control the Montana University System under Article X, Section 9, Montana Constitution, and 20-25-301, MCA.

Program Narrative

Board of Regents Major Budget Highlights	
○	The Executive Budget includes funds for the same number of meetings in the fiscal 2005 biennium as was experienced in fiscal 2002
○	The special session reduction that is continued into the 2005 biennium impacts the honorarium paid to the regents

For fiscal 2003, the Board of Regents adopted a motion for board members to voluntarily give up per diem reimbursements to absorb the reductions in state funds.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Board Of Regents-Admin						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 53,852	100.0%	\$ 51,889	100.0%	\$ 51,889	100.0%
Grand Total	\$ 53,852	100.0%	\$ 51,889	100.0%	\$ 51,889	100.0%

Present Law Adjustments											
-----Fiscal 2004-----						-----Fiscal 2005-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds		
Personal Services					(14,400)						(14,400)
Total Statewide Present Law Adjustments					(\$14,400)						(\$14,400)
DP 131 - Restore Base											
0.00	14,400	0	0	14,400	0.00	14,400	0	0	14,400		
DP 7010 - Global Special Session Reduction											
0.00	(1,963)	0	0	(1,963)	0.00	(1,963)	0	0	(1,963)		
Total Other Present Law Adjustments											
0.00	\$12,437	\$0	\$0	\$12,437	0.00	\$12,437	\$0	\$0	\$12,437		
Grand Total All Present Law Adjustments					(\$1,963)						(\$1,963)

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 131 - Restore Base - Board per diem is zero based so this adjustment restores authority for fiscal 2004 and fiscal 2005 to the level of actual expenditures for fiscal 2002.

DP 7010 - Global Special Session Reduction - The special session reduction that was applied to the Board of Regents is continued into the 2005 biennium.